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**THE
MADRAS PROVINCIAL BANKING
ENQUIRY COMMITTEE**

VOLUME IV

ORAL EVIDENCE

**MADRAS
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MINUTES OF EVIDENCE
TAKEN BEFORE THE
MADRAS PROVINCIAL BANKING
ENQUIRY COMMITTEE

Wednesday, 8th January 1930

RAJAHMUNDRY

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
Mr. C. GOPALA MENON, M.L.C.
Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.
Khan Bahadur V. HAMEED SULTAN MARICAIB SAHIB Bahadur.

**M.B.Ry. BISWANATH DAS MAHASAYO Avargal, B.A., B.L.,
M.L.C., BERHAMPUR.**

*** Oral Evidence**

The Chairman: You are yourself, I think, a money-lender or a merchant?

A.—Yes, my family has money-lending business also.

Q.—You are yourself chiefly occupied at the Bar?

A.—No; I do not practise.

Q.—Do you hold any lands?

A.—Certainly. I am one of the biggest cultivators in my district.

Q.—Would you suggest that the zamindars themselves do take to no improvements to the lands and to the irrigation sources?

A.—At least from my experience of my district and also of practically all the Andhra and Tamil districts, I do not know of any improvements to lands by any landholder.

Q.—You do not think it would pay the ryots to apply for commutation?

A.—It will be awful. It is not at all paying. On the other hand, it ruins the ryot for these reasons: Application for commutation means the severance of all relations with the zamindar. Then by the time he gets commutation he would have gone from court to court by two sets of actions, first to get an order to allow commutation and then to the High Court regarding the fixing of the rates of rent. So very few ryots now apply for commutation.

* For written evidence, *vide* pages 132—134 of Volume II.

Q.—If the rent were commuted, would the incidence to the ryots be expensive?

A.—The incidence also is heavy, because it means just taking the average of ten non-famine years, i.e., the maximum rent which the zamindar could get otherwise is ensured without his liability for remission of rent in years of famine or crop failures.

Q.—So, commutation is not at all advantageous to the ryots?

A.—Under the present conditions it is not at all advantageous.

Q.—With regard to the question of financing agriculture, you suggest that a crore of rupees is necessary. Is it for the Ganjam district?

A.—Yes.

Q.—Could you tell us how you arrived at that figure?

A.—It is certainly an approximation, and I have arrived at this figure after consulting some of the businessmen who finance the ryots and also taking some data from the income-tax office and after consulting the District Registrar also of Ganjam.

Q.—In regard to the legal impediment to the mortgage of land, you say that the zamindar's share in the produce is not known as it varies in different villages and zamindaris. I suppose what the ryot has to pay in one particular village is constant?

A.—What I meant was this: Not that the ryot does know. He pays and so he has to know it and he does know it. But it is the outsider who advances money to the ryot who is not in a position to know because the zamindar besides collecting the rent and his share of the produce collects also the illegal cess under the Estates Land Act. Sometimes the landholder collects more than one-half of the gross towards his molvaram.

Q.—You mean illegal exactions?

A.—Oh, yes.

Q.—Do they still go on collecting?

A.—Oh, yes. In a recent case there were fourteen kinds of legal exactions in the pattas tendered by a landholder which were severely commented upon by the District Judge of Ganjam.

Q.—As regards the suggestions called for in question No. 4, you state that 'the record of rights should be kept in the Sub-Registrar's office and brought up to date noting all the mortgages or charges contracted'. Do you think that it will be a quite practicable proposition to keep the record of rights in the Sub-Registrars' offices?

A.—In fact, we were agitating for that also. What I feel is this. If there is a compulsory system of a record of rights for all the estates, zamindari as well as ryotwari, and if a record of rights is kept always up to date in the Sub-Registrar's office, every man who lends money including a bank will be in a position to get an extract from it and know about the ryot to whom he lends money.

Q.—How could that record be kept up to date?

A.—I think that experiment is tried in some districts by the Madras Government. My friend Mr. Muniswami Nayudu (a member of this Committee) is a great exponent of this view.

Q.—You do not think it will be well turning the Sub-Registrar's office into a branch of the taluk office?

A.—Not exactly.

Q.—The difficulty might possibly arise in this way. The record of rights is practically a settlement register?

A.—Yes. That is being done now in the ryotwari tracts by the Sub-Registrar's office and they will also keep record of rights for the zamindari tracts. I think there will be no difficulty at all.

Q.—Would that not involve a considerable increase in the present Sub-Registrar's office establishment?

A.—Yes, but it may also reduce correspondingly the revenue establishment.

Q.—Why?

A.—It will, if the experiment is tried. I may also add that after all the Registration Department is not a losing concern,

Q.—On the question of indebtedness you say that 'the indebtedness of the ryots in that village to the extent known to me is about Rs. 1ĸ,000. Can you tell me what the population is?

A.—About a thousand. It is not a village where I live but I have got a home farm there.

Q.—What will be the annaul rental payable to the zamindar?

A.—It is about Rs. 8,000.

Q.—Is that the commuted value?

A.—No. It is a village under the sharing system.

Q.—The incidence is Rs. 16 per head of population. Then how do you arrive at the total indebtedness of the Ganjam district. You say it would be about Rs. 60,00,000?

A.—I have given an instance of a prosperous village where the ryots are better off. Even in that village the indebtedness has gone so far though it is a fertile village.

Q.—We have also many difficulties about this question as to the indebtedness. As regards the figure of Rs. 60,00,000, have you taken it for the district?

A.—Yes; and as I said it is only an approximation.

Q.—What is the population of the district?

A.—Rs. 18,00,000.

Q.—If you took the Rs. 16 per head of population in your village, for the whole district it comes to Rs. 2,88,00,000, but your estimate is only Rs. 60,00,000. Why?

A.—The reason is this. My district is mainly a zamindar district. In most of the zamindari areas unless the village is specially fertile and the ryots are prosperous, no man is going to advance more money, especially for the ryots under the sharing system.

Q.—What it comes to is this—that the more prosperous a man is the more he indebted?

A.—Not that. Sometimes clever ryots themselves take to some sort of improvement or business. There are ryots who borrow money and themselves lend also and some ryots take coolies to Rangoon themselves. Thus a ryot may seem prosperous and yet may have borrowed much.

Q.—I should like to ask you about one or two other things. Can you tell me anything about the bad debts as your family is engaged in money-lending business?

A.—Yes.

Q.—Can you give us an idea of the amount of bad debts you have incurred, that is, bad debts which you cannot recover?

A.—It is awful. That is to say, our business is mainly confined to zamindari areas. There the realization of the money is so very uncertain. If money is advanced on the security of the land under the sharing system, the realization of the loans is really difficult.

Q.—What is your suggestion? Do you think that if you could realize your loans easily, loans would be lent at much lower rates of interest?

A.—Oh, yes. As I have stated we have lent a lot of money at 9 per cent interest.

Q.—Do you ever work out what rate of interest you actually realize on your transactions?

A.—That depends upon individual transactions.

Q.—There is a certain number of loans kept at 9 per cent interest. Most of them will be recovered?

A.—Certainly.

Q.—In regard to loans lent at anything up to 30 per cent the higher the rate of interest the less will be the chance of recovery?

A.—Oh, yes.

Q.—Have you ever been able to work out the proportion that the amount realized bears to the whole amount lent?

A.—We have not taken the calculation on that basis. But it is more or less an intuitive method. We generally take the credit of the man to whom money is sought to be given and the possibility of realization sooner or later and all those things, as also the extent of the security he is able to offer. Generally if a man has got inam lands or lands paying fixed money

rents or ryotwari lands, money is advanced to him at a lower rate of interest because there is sufficient security for the money lent. For zamindari jirayat lands and specially those paying shares, more security and higher interest are general.

Q.—Do you suggest that apart from the nature of the security in the case of lands the rate is also seriously affected by the power to realize on that security?

A.—Yes. It also depends upon the ability and the capacity of the money-lender.

Q.—Not also on the willingness of the man to pay?

A.—Yes, certainly. It always depends upon the ability and capacity of the money-lender.

Q.—Not also on the willingness of the man to pay?

A.—Yes, certainly. Suppose the debtor dies and leaves behind him a minor son. Even the man who was willing gives a slip. I know there are small money-lenders who threaten their debtors saying 'unless you give money I will transfer my deed to a bigger man and thus realize the money'. So it depends upon the capacity of the man who could execute the decree. Even if there is a decree it has to be executed and money realized and the civil court takes its own time. That is why I have stated that if there is any facility for the easy realization of the money, even the money-lenders could be induced to advance money at a lower rate of interest.

Q.—Which do you think is the more important factor—the nature of the man or the nature of the security—in fixing the rate of interest?

A.—I think that the nature of the security and the nature of the man are equally important because there are also mischievous people who treat a debt and try to give the slip. If a good man comes for money he is given generally at a lower rate of interest. But the nature of the security offered is the most inducing factor.

Mr. Muniswami Nayudu: Mr. Das, what is the area of the zamindari tract in your district or what proportion does it hold to the whole of your district?

A.—About two-thirds of the whole district of 4,000 square miles.

Q.—Have you any idea of the co-operative societies working in your district?

A.—Yes.

Q.—Are you connected with any of them?

A.—Not connected. But I am watching their work.

Q.—You are not directly connected with any bank or any society?

A.—No.

Q.—You refer to the money-lender as the person who really finances the agriculturist?

A.—Yes, as the person who mainly finances the agriculturist.

Q.—Are land improvement loans and the agriculturist loans given in the zamindari villages?

A.—I do not know. To my knowledge no loans have ever been given and I do not find any possibility of such loans being given. I know of some applications and I know of refusal also.

Q.—Do you mean to say that applications for these loans were made and were refused?

A.—Yes.

Q.—Can you tell us why?

A.—The reason is this. In the first place they, the revenue officials, do not want to take the most difficult task of ascertaining all the information they want and they cannot depend on the ryot and the provisions of the Estates Land Act are mischievous. For, the zamindar may have dues of even three years and if the decrees of three years are executed against the lands, they will be sold and nothing will be left for the Government to realize.

Q.—Then your point is that the zamindar has the first charge on his land and if the property is sold the creditors cannot recover?

A.—Yes. The revenue officer will come to grief on that account and so they do not want to take that trouble.

Q.—You say in answer to question 11 under 'Indigenous Banking' in your written statement that 'the village bankers may be conveniently linked with the provincial capitals if each of them is regarded as a co-operative society as is indicated above'. What is your idea? Will you kindly develop it?

A.—Yes. Now, as it is, the co-operative societies have only been serving a useful function in so far as payment of kist to Government or payment of kist to the zamindar is concerned, because in zamindari area they must get through the zamindar and for other necessities they have to depend on the money-lenders and it is not possible for any co-operative society as it is working at present to oust the money-lenders. So my idea is that you should just take the property of the village money-lender into consideration and fix his credit after due enquiry and lend him money. I will just illustrate my point taking an individual case, say that of A. Suppose you fix his credit at Rs. 15,000 with due regard to his assets and liabilities and then advance him money to that extent and you can make him advance that amount at a specified rate of interest or fix up the maximum rate leaving the minimum to him and to competition. He may then be allowed to transact business and subjected to all the scrutiny and inspection of the co-operative societies so that he may not play dodge. If you do this, this man who has got some money or transactions of his own will also put this money he is able to obtain and can afford to wait for some time more than your period of one year. Now he has to pay you in a year. Necessarily he approaches the money-lender to get money and pays the dues to the co-operative society. He can get money from the co-operative society again after a lapse of at least a month and repay the money-lender. In so doing he incurs double expenditure and practically the rate of interest comes up to more than 12 per cent. If you declare the village money-lender as a co-operative society, the individual money-lender will not only reduce the rate of interest but also waits for some time. A sort of competition may be created in a village where there are say two or three money-lenders with the good of reducing interest. For there will be a tendency in these people, apart from getting money, to get some influence. They will therefore reduce their rates of interest even beyond 9 per cent provided you secure to them all the advantages now given to the co-operative societies both in advances and realization. I think I have made myself clear.

Q.—Your point is that if certain credit facilities are given to the local money-lenders?

A.—Not 'are given' but 'if given'.

Q.—Supposing a local money-lender is given a right to have credit at a co-operative society or a bank, then you expect him to lend at reasonable rates to the ryots?

A.—I lay two conditions. If he is given credit and also the facilities which the co-operative societies have for realizing their dues—if these two conditions are assured, the money-lender will reduce the rate of interest.

Q.—What are the facilities you are thinking of?

A.—Without going to a civil court the co-operative society gets a decree and realizes its dues. That is the convenience.

Q.—That is to say, the ordinary money-lender is given also facility to recover the money by suing before some authority without having to pay the court-fee. Is that a facility?

A.—No, I am not anxious about stamp duties. Quick realization of money is the greatest facility because after all, the court-fee is borne by the debtor and not by the creditor. I am more anxious about the quick realization of the money.

Q.—Have you any experience to say that the co-operative societies can realize more quickly than money-lenders?

A.—Certainly, the co-operative society does realize money more quickly.

Q.—How do you say that?

A.—Because from my experience I think that the co-operative societies realize more quickly.

Chairman: What you say does not apply to the whole Province but only to your district. Do you know that?

A.—I know.

Mr. Muniswamy Nayudu: Do you think that if more facilities are given to the money-lenders for the more speedy recovery of their money than what they have now, it will facilitate their financing the agricultural population?

A.—Yes, I think so. You may also apply the Usurious Loans Act, if and where necessary.

Q.—You do not think of converting the money-lender as a co-operative society but you want to give him a certain advantage which the co-operative society has?

A.—Well, any way.

Q.—If he is to be treated as a co-operative society, then a number of people should gather together?

A.—Give him the facilities. That is enough for me. My feeling is that in spite of these you may have the Usurious Loans Act.

Q.—We are not now talking of the Usurious Loans Act. Do you think that the co-operative societies will largely increase in zamindari areas and serve the needs of the agricultural population?

A.—My feeling is that so long as the section which says that rent should be the first charge on the land exists, you cannot have many and even if there is one that causes more mischief than any good.

Q.—Do you mean the co-operative society?

A.—Yes, indirectly because there is the inducement of raising the lease amount in places where the ryots are under sharing system on the score of recommending loans.

Q.—Lease amounts?

A.—Yes, the annual lease amounts where lands are kept under the sharing system.

Q.—In regard to the ordinary land, do you think that the co-operative societies will ultimately replace the money-lenders at least so far as the agricultural tenants are concerned?

A.—No; not at any rate at present.

Q.—You say that the section in the Estates Land Act creating a first charge on the landholder for the rental due to the zamindar is an impediment now to the existence of co-operative societies. In Government areas also land tax is the first charge on the land. What is the difference then between the ryotwari area and the zamindari area?

A.—The thing is this. Land-tax or Government dues or by whatever name it is called is only a small fraction of the total produce from the soil. But in zamindari areas it is a full half of the gross produce that goes to the zamindar.

Q.—Your point is that the rents are high?

A.—Yes; certainly they are very high, and uneconomical, and the landholder may wait for three years and claim all the arrears with interest.

Q.—May I just draw your attention to this? Do you have the system of the zamindar having to sell the lands for arrears of rent on a large scale or is it only occasionally that it is so done?

A.—I think we have a number of instances in every zamindari area, leading also to relinquishment.

Q.—Is any notice given to the man who lent the money saying that the property of the debtor is sold away?

A.—No. That is exactly the reason why I say they do not flourish.

Q.—To whom is the notice given?

A.—To the defendant. Even the methods are so very summary that the defendants themselves do not know in many cases.

Q.—You are aware that when land is brought to sale for arrears of revenue by Government, the sale is advertised in the local district gazette?

A.—In Government areas they give full advertisement, besides notice to the party, but in zamindari areas I do not think there is any advertisement. In fact I am the biggest ryot, and in one case I did not know but my lands were sold.

Q.—Do you think that any provision for advertising the sale would help?

A.—That is very necessary.

Q.—You told us that the zamindari ryots are not much interested in taking loans and improving the lands?

A.—Yes; they are not much interested, because they do not get and they cannot get money. Where could they get money for improving their lands and how could they get? It is not that they are not interested.

Q.—Are there certain classes of areas in which the zamindar and the ryots share in certain proportions?

A.—Yes; these tracts are many in the province.

Q.—Is it to the interests of the tenants in such cases to improve the lands?

A.—Not at all. That is what I have stated. Even where rent is commuted, it is not possible for the ryot to improve his land because the provisions relating to the registration of the land improvement are so very cumbersome in the Estates Land Act.

Q.—You wanted a certain record of rights to be kept in the Sub-Registrar's office. You say that in some of the zamindaris lands are not surveyed. I believe that in many zamindaris lands are already surveyed. Are they not?

A.—I contemplate two classes of cases.

Q.—We are taking the case where survey has already been done. In your district are there not cases of survey and settlement of rents under the Estates Land Act?

A.—All these things are there.

Q.—In such cases is there not a record of rights prepared?

A.—Yes; but they are confined to a few villages. Government resort to the illegal course of sanctioning only survey without a record of rights against the clear provision of the Act.

Q.—Do you mean it is not a survey with a record of rights, but only a mere survey?

A.—Yes; it is most illegal, but still that is done. I protested when the rules under Chapter II were revised.

Q.—You say it is only a survey showing the actual extent but not a record of rights showing to whom it belongs?

A.—Yes; showing the occupier, his rights and incidents of the holding.

Q.—Do you consider a mere survey of that sort to be useless?

A.—It is advantageous only to the zamindar in showing the full extent of the land; and no one knows anything. The ryot knows not his rights or incidence.

Q.—We are now only considering the question of the financial facilities to the agriculturists and we need not go into the other question?

A.—I am only saying that neither the co-operative society nor the money-lender can know the incidence of the ryots.

Q.—Are there cases where along with survey a record of rights is prepared?

A.—Yes; in some cases where the ryots apply, both these are prepared. There are three classes of cases under the Estates Land Act for survey and record of rights. One may be done by the Government when the estate is under the Court of Wards. One could be at the instance of the landholder. Another could be done at the instance of the ryots. If it is done at the instance of the ryots, both these are undertaken because the ryots would not leave without the record of rights. In the other two cases the record of rights is not generally prepared because it is to the advantage of the landholder to keep the ryot and the court in darkness. Even in Venkatagiri Estate it is not prepared. In many other districts and estates I know that that is the case.

Q.—Who is in charge of the record showing the patta, the extent and the owner of the land in zamindari estates?

A.—The zamindar himself is in charge of it including the survey plans, public copies of which are not available to the ryot even from the Survey office.

Q.—Is it open to any member of the public, supposing he wants to give a loan upon the property in a zamindari area, to get accurate information regarding the tenant's land and the person in whose name it is registered?

A.—If the zamindar cares to give him, he will get it. But even then it may not be accurate, because one man may be enjoying it and yet it may be registered in the name of another.

Q.—Do you mean to suggest that the register or transfer of pattas is not being done promptly by the zamindar's officers?

A.—They are not promptly done nor are they legally done.

Q.—Is there no provision in the present Estates Land Act by which the zamindar can post a register for transfers?

A.—It can be done but that is cumbersome and expensive.

Mr. Gopala Menon: Mr. Das, you say in your written evidence that it is not possible for the ryots to effect any permanent improvement to his holding. Why?

A.—The reasons are these. In the first place, the zamindari ryots are poor. In the second place, if it is a land under the sharing system, he has no inducement. If it is a land on which rent has been commuted, even then he must have the improvements registered under the provisions of the Estates Land Act to save him from enhancements of rents which are by themselves expensive. If these are not properly registered, even after 20 years he will have to pay a higher rate of enhancement of rent for not having registered his improvements. Thirdly, say, for improvement in the sense for sinking wells or irrigation works he must have some lands. That means permission of the landholder, purchase and all those difficulties.

Q.—Who now attends to the improvements, say, to tanks, sluices, dams, etc.?

A.—Under the Act the zamindar has to do it.

Q.—Does he not do it?

A.—To my knowledge a zamindar very seldom attends to any of these.

Q.—Can you give us an instance where the ryot has effected improvements on the holding?

A.—I say it is not possible because of his poverty.

Q.—He gets 50 per cent of the gross produce. Is it not?

A.—Yes, but please think of the investment of capital and labour.

Q.—The zamindar gets only 50 per cent of the gross produce taking into account the capital invested on the land?

A.—Irrespective of that he gets his half because he has to invest nothing. Where rents are commuted the legislature ensures him rent even in a famine year.

Q.—Then you say he takes the interest on the money invested on the land and also 50 per cent?

A.—He has nothing to do with interest because he never invests any. He only takes a half of the gross produce.

Q.—So the interest if any at all is included in the 50 per cent of the gross produce?

A.—I do not understand you.

Q.—A sum of money is invested in that land and you have to calculate the interest on that money, and you say that the zamindar gets only 50 per cent of the gross produce. So to arrive at the net produce he has to calculate the interest on the money invested on the land. Is it not?

A.—Yes, because he never invests.

Q.—The ryot who is cultivating the land gets 50 per cent of the gross produce. Do you think that it will not be sufficient for him to effect improvement in the ordinary course?

A.—Fifty per cent of the produce is not enough for the ryot to meet the expenses of cultivation. When such is the case, how could he invest more money? Investing more money means paying half of the outcome of the investment to the landholder. In the first place he cannot get money and in the second place there is no inducement.

Q.—You say that the ryot borrows money from the Sowcar. For what purpose is it? Is it for improving the land which he holds?

A.—For his own expenses or for raising the crop.

Q.—Is it for permanent improvements or is it for annual improvements?

A.—Generally he never borrows money for improvements.

Q.—Permanent improvements?

A.—Permanent or temporary.

Q.—So your idea is that the 50 per cent of gross produce which the ryot gets is not enough for cultivation expenses and to effect improvements to the land?

A.—It is not at all enough for cultivation expenses, labour and for his supervision.

Q.—You say that it is a misfortune to the zamindari ryot to have co-operative societies. Why?

A.—The reason is this. He cannot directly approach the co-operative societies and get loans. The only way he can get the loans is through the medium of the landholder or his authorized agent. In the case of lands which are under the sharing system, that is, where the share of the landholder is paid in kind or in money or whatever it might be, they only lease out the produce year by year to the middlemen or to the ryots. In leasing out the produce there is a lot of bargaining. The zamindar necessarily demands a larger sum and the ryot offers a lower sum and then the middlemen or *mustafors* come. The ryots are afraid of a mortgager. There is further mediation and the zamindari official who says to the tenant 'I will secure you money at a lower rate of interest and you may accept the lease on the conditions of their securing loans from these societies at 9 per cent. So this inducement to secure money at a lower rate of interest than the ordinary market rate for him to pay off the landholder makes the ryot to agree to the higher lease amount is certainly a misfortune.

Q.—It is only a case of rackrenting then?

A.—It is not by itself rackrenting but it leads to it by an indirect and underhand method.

Q.—You want then the money-lenders to be invested with all the rights which a co-operative society possesses now?

A.—Yes, that is my suggestion, but not for the above reasons.

Q.—We are concerned more about pointing out methods of helping the ryots in improving the land and in that connection you said that the individuals in the locality may be equipped with the rights which the co-operative societies now possess. If they are given these, do you think it will lead to the development of agricultural finance in the future?

A.—Yes. My experience is that these money-lenders help agricultural finance and they are mainly helping the agriculturists and the only trouble about them is the rate of interest. This you can bring under control if you fix their credits, lend them money, also exercise supervision and control over them and also help them in easily realizing their money.

Q.—Is it not enough if you have more co-operative societies if the present number of co-operative societies is not adequate for the purpose?

A.—I say that the co-operative societies cannot help the ryot for all time because their money is required to be paid by the end of the year.

Q.—In reply to Mr. Muniswami Nayudu's question you said that your idea in bringing these individuals under the protection of the Co-operative Societies Act is to give them more credit facilities. Is it not?

A.—I meant both the convenience and the necessity.

Q.—At the same time you wanted these individuals to be given credit in banks?

A.—Yes.

Q.—I wish to know what securities these individuals can offer to these banks for the overdrafts or advances they may require?

A.—I did not mean overdrafts, but only advances. As for myself I possess credit for Rs. 50,000 in the Imperial Bank of India.

Q.—Then you mean that these individuals should possess lands?

A.—Yes, they have lands. I do not want the banks to give advance to individuals who cannot furnish security.

Q.—Which are the banks you have in view then? Is it the Imperial Bank?

A.—I have no faith in the Imperial Bank. They cannot lend because they are prohibited by their rules, and can have nothing to do with agricultural loans.

Q.—You cannot say that they can have nothing to do with agricultural finance. They have got something to do with it in an indirect way though they cannot advance direct loans under the Act.

A.—That is what I say.

Q.—So you think that the individuals who have lands could be supplied with credit?

A.—Yes, from some bank or the co-operative central bank.

Q.—The money-lenders now you have in view are mostly Sowcars. Is it not?

A.—Yes.

Q.—Most of them possess no lands here?

A.—Most of them have lands in the villages.

Q.—For your purposes is it not enough if they are recognized as registered money-lenders or registered banks instead of bringing them under the Co-operative Societies Act?

A.—That is something. I suggest some way of co-ordinating their activities with the provincial banks.

Q.—In that case you are agreeable to bringing all the indigenous bankers under a registered board?

A.—Oh yes.

Q.—So you want these money-lending institutions to be brought under a board instead of declaring them as co-operative societies?

A.—Mine is only a suggestion.

Q.—You say that the rate of interest in the zamindari area is higher and the value of land is lower. Why is that?

A.—The reasons are obvious and I have given many. In the first place, the Sowcar does not know the amount of rent he owes to the landholder and he does not know when his lands would be sold and then again he has to pay half the gross produce. So there is very little for the ordinary money-lender to be profited by lands secured to realize his dues. Whatever the ryot gets to his share is consumed by investment. So there is no inducement. Consequently, the money-lenders demand a higher rate of interest and more extent of land as security.

Q.—Is not the security of standing crops accepted?

A.—No, it is impossible, because zamindar under the Estates Land Act has the power to distrain and he does distrain standing crops for his arrears of rent.

Q.—You said to Mr. Muniswami Nayudu that no record of rights can be obtained at the taluk headquarter and any information can be got is only from the zamindar. Are there no land mortgage banks in your area?

A.—There are none. But where there are in certain districts, it is not possible for the zamindari ryots to get anything from such banks. In some cases, e.g., Venkatagiri zamin ryots, they have approached these banks and have been refused.

Q.—Is it because they could not furnish the information required?

A.—It was because of the uncertainty of things. If you want I will give you specific instances.

Q.—Do you think that land mortgage banks will not be successful in zamindari areas?

A.—Not unless the Act is amended.

Mr. Hameed Sultan Maricair: You say in your written evidence that the 9 per cent interest charged by the money-lender is lower than the interest charged by the Imperial Bank. How is it?

A.—It is because the Imperial Bank generally advances money at 8 to 8½ per cent interest and then interest charged in every 3 months, i.e., compound interest is calculated, even in a half year for which they advance money.

Q.—You can pay the interest after three months, that is not compound interest?

A.—Money-lenders calculate interest for every year. Interest not paid in a quarter becomes compound interest. I know it. I myself have a bank account.

Q.—Then you say that the money-lender's rate of interest is cheaper than that of the Imperial Bank?

A.—Yes, certainly. Nine per cent is far better and cheaper than the Imperial Bank rate, because the man gets it ready at hand and in regard to repayment also he can take his time whereas if it is from the Imperial Bank, he has to pay the money just at the expiry of six months and the Imperial Bank calculates compound interest every three months if interest is not paid. So the money-lender's 9 per cent is far cheaper than the Imperial Bank rate.

Q.—You said the interest ranges from 9 to 18 per cent.

A.—Yes, according to the credit of the borrower and the security offered.

Q.—Do you think the protection afforded to the co-operative societies should be given to the money-lenders?

A.—That is my suggestion.

Q.—I want the general sense.

A.—I think that is the general feeling. I have consulted also some leading money-lenders in my district and they agree to this. After all the money-lenders do not get much.

Q.—Do you know that there are some merchants who get money from the Imperial Bank and re-lend it at, say, 12, 15 and 18 per cent interest to others?

A.—Yes. There are some gentlemen making profit in that way, because smaller people cannot get credit in the Imperial Bank, and the Imperial Bank will not finance them.

Q.—You say in your written evidence—"After making allowances for collection, legal expenses both direct and indirect including tips, stamp expenses difficulty of getting possession of immovable property, whimsical estimate of the Income-tax Officers with heavy rates of income-tax and the attendant troubles and dangers, the net income of any village money-lender, on the whole, does not exceed the Imperial Bank rate." Is it so?

A.—Yes. That is my feeling and that is my experience. Money-lenders often run into bad debts.

Chairman : The Imperial Bank also runs into bad debts?

A.—But their proportion is far lower than ours. The money-lender sometimes loses the whole of his amount, sometimes in thousands.

Mr. Thomas : Mr. Das, I should like to ask you on a few points. You say you are a cultivator and a land owner?

A.—I said landholder, but in a sense a landowner also. I am the biggest cultivator. I hold lands under the ryotwari tenure and have also inam lands.

Q.—Can you tell me what is the acreage of lands which you hold under zamindari. I want only the approximate extent?

A.—About 2,000 acres.

Q.—You do not cultivate the whole land yourself, I suppose. Have you sublet it?

A.—No. About half.

Q.—The rest you are cultivating yourself?

A.—Yes.

Q.—You have given, I suppose, small holdings to different cultivators?

A.—Because I am a big ryot and an influential ryot I cultivate the biggest portion.

Q.—What about the holding you have distributed among other people? What is their average size?

A.—They are of different sizes, say, some half an acre, some one acre, some three acres, etc.

Q.—By holding I mean the total amount of land which is cultivated by one holder or by one cultivator. I do not mean the size of one field, which varies?

A.—Generally one cultivator has under him 6 to 8 acres. He does not cultivate unless he has that extent of land.

Q.—That is the minimum?

A.—Yes, that is the minimum.

Q.—You say then that the minimum holding in your parts is from 6 to 9 acres, and that nobody holds less than that acreage?

A.—Unless it is so, the ryot does not own a plough.

Chairman : Is it dry or wet land?

A.—Both dry and wet land. Every holder must have some dry land for his ragi crop.

Mr. Thomas : What is the proportion of dry to wet land?

A.—Generally one-fourth to one-fifth. These dry lands in our parts are all on commuted rents from time immemorial.

Q.—I should like to ask you whether you do not think the cultivation of a larger holding is more economic than a smaller holding. Of this you might have experienced in your own farm. I mean, what will be the comparative expensiveness of cultivation in the different sizes of holdings?

A.—It depends upon the person cultivating. In our case we are mere supervisors, supervising the cultivation. In the case of the agriculturists they cultivate it themselves with the help of the members of their family, their wives and children.

Q.—Apart from that will the cultivation expenses per acre be reduced if you have a larger holding. Will the outturn per acre be more in the case of a large holding than in that of a small one?

A.—Certainly, if you could invest more money.

Q.—But, not more per acre?

A.—How could it be?

Q.—Do not certain economies result from large scale production?

A.—Yes. His expenditure will be reduced and the outturn will be more, that is, if you take everything in terms of money.

Q.—How is it that those who hold zamindari lands have no interest in improving them?

A.—I have already said.

Q.—Yet they get 50 per cent of the outturn of the produce. It is certainly to their interest to improve, if they can afford, if they have got the money?

A.—Even if they have money, they have no inducement.

Q.—You say even where there is money there is no inducement. Why?

A.—Because an outsider who calls himself the landowner takes away one-half of the gross produce without contributing anything either to raise the crop or to improve the land.

Q.—So however much you improve you will have to pay half of what you get?

A.—Yes, we have to pay if it is held on the sharing system.

Q.—What modifications do you suggest?

A.—I suggest that fixed money rents should be settled and compulsory survey and record of rights be insisted upon.

Q.—Will that give sufficient interest to the ryot to improve his land?

A.—Yes. If you limit the demands of the landowner the big ryots will be induced to invest money for land improvements.

Q.—You say that in zamindari areas you should have fixed money rents and not sharing of produce?

A.—Yes, that is it.

Q.—Have you any more suggestions?

A.—Yes, simplification of the method of registering land improvements, i.e., when I invest Rs. 10,000 in improving my land, the law requires that it should be registered in the office of the Collector to the effect that the land has been improved by the ryot or the landowner so that when after 20 years the question of enhancement comes under the provisions of the Act, this improvement will be taken into consideration.

Q.—What is the difficulty now?

A.—Now it is cumbersome and expensive. So if both these are done, there may be some inducement.

Q.—Do you know of any zamindar who has started any co-operative society and who takes any interest in its working?

A.—I do not know of any. I say that if they do, it is to their interest. I know of no cases where rents have been fixed, the zamindar taking any interest whatever. Where sharing system is in vogue, they take some interest just to induce the ryot to take money to pay them.

Q.—You spoke of different classes of cesses collected by the zamindar?

A.—Illegal cesses.

Q.—Illegal cesses. I want to know about them from the point of view of indebtedness, of the peasants?

A.—That varies in various estates, say for instance in Ganjam district we have got 16 or 18 estates. In Attagada Estate there are about two kinds of illegal cesses, while in Dharakote about 10 kinds and so on.

Q.—What are the purposes of those?

A.—For maintaining the clerical staff, for maintaining the horses and the elephants, for the *pada puja* of the landowner, for the construction of the car, etc.

Q.—How much per acre would all these come to?

A.—About 3 per cent of the rent amount, but they vary with zamindaris.

Q.—Regarding Dhankapoda village you say it has a population of 1,000 and an indebtedness of Rs. 16,000. So far as I have seen the indebtedness is not very great. In what way have you arrived at these figures?

A.—We have lent some money in the village. There are also others who have lent money to those villagers. The figures have been arrived at by local enquiry.

Q.—Have you enquired of those who have lent money or those who have borrowed money? What about the hand loans?

A.—I have said that the figures are only approximate.

Q.—You probably ascertained it merely from the money-lenders?

A.—That is only possible, because many will not tell you how much they have borrowed.

Q.—How do you draw your funds, the funds you are dealing in? Do you take any deposits?

A.—We do not take any deposits. Sometimes we take money from the Imperial Bank. I am not a deposit banker.

Q.—At what rate do you take from the Imperial Bank?

A.—Oh! It is awful. If I borrow on the basis of my credit it comes to 8½ per cent. If on the security of paddy, with inspection charges and so on, it comes to about 10 to 11 per cent.

Q.—The Imperial Bank has got a fixed rate which they determine from time to time. You get a certain percentage over the bank rate?

A.—Yes, at the prevailing rate.

Q.—Sometimes the Imperial Bank rate is as low as 4 or 5 per cent at the Presidency towns.

A.—That is information to me.

Q.—Your business is simply book credit?

A.—Yes, it is book credit, but the rate is never 4 or 5 per cent.

Q.—At what rate do you borrow on produce loan?

A.—On produce loans they charge 8 per cent. Inspection and insurance charges come to a big sum.

Q.—How much are the additional charges?

A.—Why the first time I borrowed on paddy, it came in all to 11 per cent.

Q.—For what purposes do you lend money to your clients?

A.—Mostly for agricultural purposes, but for various other purposes also.

Q.—Will you specify them in the order of their importance?

A.—For sowing. In the sowing season they generally take money. Then for purchase of manures for sugarcane crop, and then for payment of kist. These are the three important occasions.

Q.—Do you give loans for purchase of lands?

A.—Sometimes some people purchase inam lands, but I do not think any people take loans for that.

Q.—What about loans for marriages and for buying jewellery?

A.—I do not think they take loans for buying jewels.

Q.—Do the people not generally use jewellery in these parts?

A.—Very little. Generally here I know of people using German silver jewels.

Q.—What about marriages?

A.—The tendency is for marriage expenses to go down.

Q.—Do they not specify the purpose of the loan?

A.—They have to. We have to write it in the deed.

Q.—What percentage of your loans are given for marriage expenses?

A.—A very small percentage.

Q.—Surely they would be requiring loans for marriages and other ceremonial functions. If they do not come to you, to whom do they resort for such loans?

A.—We also give sometimes loans for such purposes, but generally we do not.

Q.—Out of the total loans that you give in a year what percentage will be for cultivation expenses, including buying of manure, seed implements, etc.?

A.—It is rather difficult to say, but most of the loans are for that purpose.

Q.—For paying kist?

A.—I have already stated.

Q.—And what percentage for marriages, funerals, etc.?

A.—You may take it at one-seventh or one-eighth.

Q.—What is the highest interest you charge? You spoke of 9 per cent as the lowest?

A.—I think we have about 18 per cent.

Q.—In what kind of loans do you charge that interest?

A.—When the season is pressing, say during the kist paying season, and then in the sowing season.

Q.—For what class of people do you charge that higher rate of interest?

A.—If the security is not good, the interest is high. Generally for zamindari jirayati lands, the rate of interest is high.

Q.—Do you lend on the stipulation that the produce will be given to you?

A.—We were doing that before, but now we do not do it. Now the tendency is, after the advent of the co-operative societies to get money from the co-operative societies and pay it and not pay in kind. The ryots do not agree to pay in kind say in paddy or agricultural produce.

Q.—Do you then get back your advances in money?

A.—Sometimes in money, sometimes in land.

Q.—What percentage of loans end in the passing of lands?

A.—Say about half or more than half.

Q.—I do not think I understand you?

A.—That is if they fail to pay the money, the lands are sold

Q.—You mean to say that in more than 50 per cent of the cases lands have to be either sold to you or to others and the money paid to you?

A.—Yes. In some cases we buy the land in others we arrange the sale of the land. But we have no inclination nowadays to purchase lands.

Q.—At what kind of price do the land go?

A.—If it is by negotiation it goes for a fair price.

Q.—What commission do you charge besides interest?

A.—Nothing.

Q.—Whatever interest you charge is simply added and nothing else?

A.—Yes. No commission, but they bear part of the expenses of those documents and execution of the mortgage deed.

Q.—If a person wants, say, Rs. 100 do you give him the whole of that or do you deduct the interest at the beginning and give him only the balance?

A.—We do one thing, and that is to advance money on chitta and after some time, after some more transactions take document and close the chitta. It is not customary in our place to deduct the interest first.

Q.—Do you think that the smaller borrowers or the bigger borrowers return the money at the proper time?

A.—My experience is no man returns money in the proper time.

Q.—Do you think that co-operative societies have an advantage in that matter?

A.—That is the reason why we are handicapped. I said that the ryots come to us and borrow at a higher rate of interest to pay the co-operative societies.

Q.—What percentage of loans is given for that purpose—for returning co-operative loans?

A.—I cannot say, but I know of many such cases. I do not look to these money-lending business; I only supervise.

Q.—You said about linking up of the village money-lender with the village co-operative society. I should like to ask you one or two questions about that?

A.—Yes, you are welcome.

Q.—The main purpose of co-operation is self-help of the smaller men, whether ryots or handicraftsmen. Do you think that that purpose will be served by giving all the privileges of the co-operative society to the money-lender?

A.—I think by proper supervision and control we could do more good to the people.

Q.—But the people are not finding them good. You might feed them with a spoon, but what they need is self-help. How can you replace the co-operative societies so long as you are not in a position to create in them the spirit of self-help which is the essence of co-operation?

A.—I say take it as an experiment. If it is possible and if it succeeds it is a very good thing.

Q.—Our object will not be secured by giving facilities to money-lenders?

A.—In that case you will have to change the system of co-operative societies, allow them long-term loans and accept from them in part payments. We allow borrowers longer terms and accept money in parts.

Q.—Co-operative societies also accept money in parts?

A.—They do, but do not wait longer. The co-operative society insists on the loan to be paid in the course of the year, but the ryot is not able to repay all the money he has taken in the course of the year.

Q.—He renews the loan in that case?

A.—How can he do that unless he pays money on the old loan? Where is he to get the money? That is the reason they come to us, get the money to pay off co-operative societies and then get the loan from them to pay us.

Q.—Is that so?

A.—I have not come here to represent my difficulties before the Committee. I can take care of myself. I suggest this only as a possible and necessary remedy; if you think societies function useful work.

Q.—Would you like the registering and licensing of money-lenders?

A.—I have no objection, in fact I think the money-lender should be brought under control.

Q.—Are the accounts of the money-lenders audited?

A.—They are now audited by the Income-tax department.

Q.—But some small money-lenders in the rural areas do not keep good or a scientific system of accounts. Don't you think it would be very difficult to audit their accounts?

A.—Yes; that is why I say select the money-lenders and give recognition to them, insist upon proper accounts to be kept and give them credit facilities.

Q.—What! Cannot the money-lenders join the co-operative societies or start societies along with others?

A.—How can it help them?

Q.—You say you can get proper interest from the co-operative society?

A.—Well sir, interest is not the only criterion. Money-lending has its own influence and its own advantages also and interest gives a good return to those people who are able to collect them.

Q.—Why not all money-lenders put all their money in co-operative societies and see that the society runs properly. In that case they can get their money very easily?

A.—You mean put in the banks?

Q.—Yes; co-operative societies have got their own banks. They can put their money there?

A.—Time alone will cure that. In fact I am raising that question so that Government may extend protection to money-lenders also.

Q.—That will be solved if the money-lenders take upon themselves the running of co-operative societies?

A.—In fact I am asking my people to wind up their money-lending business and invest their moneys in co-operative societies because they get 9 per cent interest and I know it a better return.

That is all. Thank you very much.

Chairman : I should like to ask you one or two more questions. With regard to yourself is your family money-lending family?

A.—Yes; it does money-lending business besides we are ryots. We were also having some business and trade in the past.

Q.—You suggested that the money-lenders lend money to the ryot to be repaid to co-operative societies. Am I right?

A.—Yes.

Q.—Co-operative societies in certain cases have been formed to enable the ryot to repay the money borrowed from money-lenders. Do you know of any cases where that holds good?

A.—I have not known of any such cases.

Q.—You know the case of the Attagadda Central Bank?

A.—I know the secretary realized some money.

Q.—It was started to enable a group of money-lenders to recover their loans which otherwise they could not recover. Is that a fair statement?

A.—That was a solitary instance. Because he, the money-lender, himself was the secretary, and had a number of bad debts, he got the money for them from the bank. That is what the zamindars are also doing. His was a special position and he took advantage of that position.

Q.—Can you tell me another thing? Most of your lands are in Attagada zamindari. There are very few co-operative societies in Attagada. Can you state the number in Bodagada? I think there is none in Khallikote. Can you tell me why?

A.—The success of this movement depends on the interest of the zamindar or his officials and they do not do it unless it benefits them.

Q.—Why should there be a large number of co-operative societies in one estate and in the next door estate there should be very little?

A.—Because the estate official, the sarishtadar is connected with this banking business in Khallikote.

Q.—So you suggest that it is quite due to a personal interest of an estate official?

A.—Yes.

(The witness then withdraw.)

Thursday, 9th January 1930.

RAJAHMUNDRY.

PRESENT:

Mr. H. M. Hood, I.C.S. (Chairman).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Mr. M. A. MUTHIAH CHETTIYAR, B.A.
 Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.
 Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. D. S. SASTRI Avargal, Secretary, The Andhra Bank,
 Limited, Masulipatam.

* Oral evidence.

The Chairman: We are very much obliged for your note, Mr. Sastri. You are the Secretary of the Andhra Bank, I think. Are you not?

A.—Yes.

Q.—How long has it been running?

A.—Since September 1929.

Q.—What is its capital?

A.—Its paid up capital is Rs. 1,16,000.

Q.—Its subscribed capital is a considerable amount more. Is it not?

A.—It is only recently that we raised the capital. The subscribed capital now is Rs. 1,31,000 and paid up Rs. 1,16,000.

Q.—Have you much difficulty in making the share-holders pay up?

A.—Not at all. Our shares are selling at a premium and there is a rush for them.

Q.—What is the nature of the business that is done particularly in your bank?

A.—At present we are merely advancing to people, businessmen in particular, against joint pro-notes, discounting bills on several stations and we are also receiving fixed deposits. That is all the business that we are now handling. It is only recently that we began advancing against produce but we have not made much headway in that direction.

Q.—Your bank is working independently and is not linked up with any other bank?

A.—No.

Q.—Do you have much current account business?

A.—Not much business. Our balance is about a lakh of rupees during the dull season and during the busy seasons it is about Rs. 50,000.

Q.—What is the reason for not using current accounts more?

A.—It is mostly because the people are not accustomed to keep their money in banks and there are not banks to encourage this habit in the people. The Imperial Bank does not concern itself much with encouraging this habit.

Q.—Do not the people deposit in current account in your bank at all?

A.—Not much.

Q.—What interest do you give?

A.—We give 2½ per cent. That is something. What monies they keep in their own safes they manage to keep in ours. They do this because of the interest they get.

Q.—Would it not be a good thing to encourage current account banking more?

A.—Certainly.

Q.—Do you suggest that the main inducement to open such accounts is the interest offered?

A.—True. But it also depends upon the distance of the banks from the business centre. Hitherto the Imperial Bank has been there but because of the distance, I suppose, from the business centre, people did not resort to it for current accounts.

Q.—You just now suggested that probably they do not realise the proper use of current accounts?

A.—That is certainly the reason. A good deal of educative work has to be done.

Q.—Are any steps being taken, at any rate so far as you know, to get over this prejudice or ignorance or whatever it is?

A.—There are no particular steps that are being taken but as people come to us for other facilities, we tell them that keeping a current account is advantageous. It is only in this way that we manage to educate the people.

Q.—Do you think that for giving commercial education commercial colleges and schools would make any difference?

A.—I do not think there will be much of a difference because the mercantile community do not care to go to the schools generally.

Q.—No, I was thinking of it from another point of view and that is, if you teach those who are going to seek employment and they know more about the theoretical side of banking, would not that be of an educative value?

A.—That would not be of much advantage. I know of several professors of economics who do not know how to draw a cheque, and I know the nervousness they feel. Hence the educational colleges and schools, except to a certain class of people, will not be of much advantage. The real education that is required is to the mercantile community and they, I am afraid, would not care to go to the schools and colleges. They train up their youngsters in their own offices in their old ways, it is not so much the schools or colleges that would help as propaganda by banks themselves in their own interests.

Q.—In regard to the current accounts in your bank a large number of clients talk only Telugu?

A.—Yes, most of them talk Telugu.

Q.—Do they have current accounts?

A.—As I just now told you, some people have current accounts and we are inducing some more people to open current accounts. We also have most of our correspondence in Telugu and we keep some of our books in Telugu in order that they may not find much difficulty. The system of current accounts will become popular if the books are kept in Telugu. For instance, there is the pass book in English. The people cannot make head or tail out of it. But if it is in Telugu, they understand what it really is.

Q.—I found that in several cases current accounts were not distinguished from savings bank accounts in this way. The current account in many places is operated on only by sending a cheque and drawing cash and that of course is a very small part in the use of the current account: is not that so?

A.—Yes.

Q.—What about the vernaculars? Do you find a difficulty there?

A.—The difficulty is always there. A cheque is given. Supposing it is made payable to order, in the usual way something is written on the back by the payees. We have necessarily to make certain objections and they get afraid of it. The persons do not understand what exactly we require. A person signed Sastry and he lived two miles away from Masulipatam and when I sent it back, he said—it seems he was retired Deputy Collector—being annoyed ‘What does this mean?’ It makes no difference

how my name is spelt, get me the money.' He could not appreciate our difficulty but merely turned back the man who was sent to him with the cheque saying that the bank has to pay and that it did not make any difference as to the spelling and refused to see the cheque.

Q.—What about the vernacular? Do you have any difficulty with their current accounts in regard to their signatures?

A.—The chief defect lies in that they do not understand. The question of identification does not very much come in in a mufassal place. The difficulty will arise only in the metropolis and other big places.

Q.—Why?

A.—Because most of the people are known to one another in the mufassal.

Q.—If the cheques are negotiated, and after passing through three or four hands they are presented by a stranger would there be no difficulty in identifying the signatures?

A.—Well, there is no difficulty about identifying signatures in this place. But the difficulty is always about the correctness of the endorsement. Supposing it passes through three hands, each man signs in a different manner so that the person who comes to you for encashment finds it very difficult indeed. So a good deal of habit and education in this respect is the only thing that could make these people appreciate the difficulty.

Mr. Muthiah Chettiar: Is there no difficulty in deciphering the vernaculars?

A.—It is only where there are a number of vernaculars that this difficulty would arise and even there it is easily solved by having a Munshi.

The Chairman: You are doing business in remittances in Calcutta and Bombay?

A.—Mostly with Bombay and Madras.

Q.—How is that done?

A.—Generally we purchase bills on Bombay or Madras or Hyderabad and we direct our agents there to remit the funds to Madras. There is a steady demand for drafts on Madras. So we manage to draw our funds in that manner. But in the dull season when the export of rice or paddy has stopped we find a lot of difficulty about remitting over to Madras for our drawings. There will be only recourse to the Imperial Bank or the co-operative bank or perhaps to send currency notes. It is then that the trouble is always very much felt. Sending money by G.C. notes is always a dangerous thing.

Q.—You mean sending half notes?

A.—Yes. Now half notes can be cashed by anybody. So the risk is greater. Further, I understand that the post office authorities charge insurance for the whole face value of half-notes sent by insured post, whereas hitherto the practice had been to insure them only for Rs. 100 or Rs. 200 and the cost for the bank was very much lesser than it is now. Now the insurance charges have thus become prohibitive. So this remittance is a great problem for us now at Masulipatam. Last year the co-operative bank was helping us to a large extent. We were keeping current and over draft accounts there and they charged us half an anna.

Q.—Were they remitting through the treasury?

A.—I do not know how exactly they managed. But so long as they were doing it, we did not have much difficulty because we spent only half an anna and sold the drafts for a profit of one and a half annas and thus were getting a clear profit of one anna. This season we have no difficulty because we have got plenty of bills to purchase.

Q.—Do they represent exports?

A.—They represent export of paddy.

Q.—How is paddy sent? By rail?

A.—Yes.

Q.—Is the railway receipt of any value?

A.—It is of value. The practice with some customers is to send it along with the demand draft, that is to say, the receipt to be given only when payment is received. Some people insist on the railway receipt being sent to them direct and money is paid by them either by honouring the exporter's bills drawn on them or they themselves send a bill on Bombay

to the exporter in payment, and the exporter gives us that bill on Bombay for discounting. And these monies we get collected at Bombay and remitted to Madras. So that is a circuitous route we take.

Q.—There is no corresponding import?

A.—Not much. It is chiefly from Madras and that is why remittances have always to be made to Madras.

Q.—There used to be a good deal of bills and the amount paid for the whole of the export business from the Kistna. Is it not so?

A.—Yes, that is from Madras. Goods from Madras come to the district and money has to be paid to the people at Madras. But very little of the produce in that district goes to Madras. It rather goes to Bombay, Mysore and other places. So monies that have to come to Masulipatam for payment of produce exported are paid generally at Bombay.

Q.—Would it facilitate matters if railway receipts were made negotiable?

A.—We have not found any difficulty owing to the non-negotiability of the railway receipts so far. As we get them we send them to the agents at the various places for collection. The difficulty will arise only when you are not able to get the railway receipt honoured on its production.

Q.—Is there no paddy exported from Masulipatam?

A.—Yes, there is.

Q.—Are all the things exported through Bezwada?

A.—Yes.

Mr. Thomas: I find from your written evidence that you have estimated the indebtedness of your district at one crore of rupees. Could you tell me how you arrived at that figure?

A.—We have got about ten taluks there and estimating at about Rs. 10 lakhs for each taluk it comes to Rs. 1,00,00,000. It is only a rough and ready calculation.

Q.—How do you get Rs. 10 lakhs for each taluk?

A.—That is from the experience of the co-operative bank. Their short-term lendings cover about Rs. 10 lakhs. That is for one taluk.

Q.—The loan given by co-operative societies is only a fraction, is it not, of the whole?

A.—Yes, but it is indicative of the needs.

Q.—What proportion will it be to the total short-term loans?

A.—Just at present the proportion between short and long-term loans is about three to five times.

Q.—You speak of eight Marwaris in Gudiwada taluk having advanced Rs. 46 lakhs for agricultural purposes; for what specific purposes?

A.—They are lending to any and everybody and it is not necessary for them to know the particular purpose for which the money is lent. But then when the agriculturists borrow naturally we take it that some money would go to the agricultural purposes and some money to marriage expenses or for the improvement of land and other things.

Q.—Have you any idea of what the principal ones are.

A.—It is rather difficult to say. There cannot be any clear-cut distinction made as to what monies are used for agricultural purposes and what monies are used for non-agricultural purposes.

Q.—But in regard to the loans given by the Andhra Bank, can you give us a classification of the purposes for which the loans are given?

A.—We classify this way. The mercantile communities require monies from December or the beginning of January. That is only for six months. We give them freely in these months and after that they do not require any money and so we usually advance to the agriculturists and to certain of the people in the towns.

Q.—Do you ascertain the purposes for which the agriculturists require money?

A.—According to their version it is for the purchase of land.

Q.—On what security do you lend to the agriculturists?

A.—It is only on joint signatures that we advance.

Q.—Do you advance on the security of land?

A.—No, we do not.

Q.—You advance then on personal security of two signatories?

A.—Yes, two or three.

Q.—You say in your written evidence 'The very poor ryot sells it on the field and gets a poor return for his produce. Often times he is obliged to give it to his money-lender who charges exorbitant rates of interest in kind.' On what terms is it done—the giving of the produce by the ryot to the money-lender?

A.—There it all depends on the terms the money-lender may first fix up with the borrower. Sometimes repayment in cash may be agreed upon or sometimes the money-lender bargains for only a return in kind in which case the risk of the fluctuations in price the money-lender takes on himself, and the borrower merely says that he will give so many bags of paddy or rice.

Q.—Does he not say that if the price is so much he will pay so many bags?

A.—No. He simply says so many bags, where it is repayment in kind.

Q.—Are there not cases in which the repayment is made in money, and then what does the ryot do?

A.—There are and if the money-lender is pressing and the borrower cannot hold him off any longer, the ryot really sells the produce on the field itself.

Q.—To whom?

A.—To the people from the towns.

Q.—Are they not money-lenders?

A.—Not necessarily to the money-lender when the repayment is to be in cash. People from the towns come to the field and fix up the price for the produce on the field itself as soon as it is ready and take it away.

Q.—Generally what is the difference between the price in the field and the actual market price?

A.—The needy man has to sell the produce on the field itself at any cost. On one side is the bother of the money-lender and on the other the extra expenditure that he must incur if he were to collect the produce, take it home and there store it. These things terrify the ryot out of his usual balance of mind and he will sell his produce on the field itself for any price that is offered and there is generally a loss of ten per cent in that sale.

Q.—What is the exact time when the crops are harvested?

A.—About December or January.

Q.—What are the other demands for funds on the part of the agriculturists? What about the kist season?

A.—In the kist season they do not generally find any difficulty.

Q.—When is the kist season?

A.—In February and March.

Q.—Is there any time when all the needs are crowding upon the agriculturists; for instance, the payment of kist, repayment of loans and performance of ceremonies?

A.—It does not start that way. At the time he gets the produce, the needy farmer makes all his adjustments. He clears off his dues if any, and if anything remains is able to pull on without borrowing for one, two or even three months and then begins borrowing. The settlement of accounts is done only once in a year.

Q.—In the case of the poorer ryots is it generally the case that the produce is marketed to the money-lender?

A.—Yes. There is the second class of needy farmer who manages to gather all his produce and carries it all the way to a town and gives it to the commission agent.

Q.—I am not referring to that. He is certainly in a better position to help himself. What about the needy ryot who is at the mercy of the man lending him money?

A.—He merely passes on the produce to the money-lender and takes whatever he could possibly get out of it.

Q.—You say that co-operative societies have made little headway with regard to produce loans. What are the difficulties? Why in your opinion have they not made headway?

A.—That is because the help rendered by co-operative societies among themselves is not adequate.

Q.—You say that the Imperial Bank competes fiercely with the indigenous banks. In what way does it compete?

A.—I will give an instance. When a person who has dealings with the Imperial Bank goes to an indigenous bank for discounting his bills, the cashier of the Imperial Bank comes to know of it and sends for him and says 'if you do that once more never more shall you have facilities from the Imperial Bank'. This is the latest instance which took place in Cocanada. In December, during the holidays, some merchants came to our Cocanada branch and gave bills for discounting. Last week's report of our agent says that all those merchants have been sent for by the cashier and told plainly that if they go to other banks for some accommodation, necessarily they must quit the Imperial Bank. They must choose between the indigenous banks on the one side and the Imperial Bank on the other. They cannot possibly deal with both. If such a sort of warning comes from the Imperial Bank, we cannot possibly accommodate one customer to the full nor is it safe to do so.

Q.—Are you in a position to take up that work?

A.—We cannot possibly take it up completely at the present stage.

Q.—You suggest that a pooling of the bills might be done and the Imperial Bank may be made a bankers' bank. Can you say something more about it?

A.—Supposing there is a joint stock bank which handles all these bills the difficulties for finance would not be much because they would be immediately rediscounted by the Imperial Bank and when that is done there would not be much bother to the Imperial Bank, because the preliminaries are attended to by the other bank. Further, supposing there are a number of places round about to which these bills go, a small bank cannot afford to have its branches all over whereas the Imperial Bank can certainly afford to do business there for cheap rates.

Q.—But are the indigenous banks you are speaking of in a position to come to an understanding with the Imperial Bank?

A.—Certainly they can, provided the Imperial Bank looks at this point carefully and sympathetically.

Q.—"It is a great pity that there is no record of rights in the Government villages in this Presidency." Is that statement of yours true?

A.—I am not particularly sure. It is mostly true about the zamiindari villages.

Q.—You say that a holding which is less than 15 acres does not constitute a paying economic unit. Is it wet or dry land?

A.—Dry.

Q.—Is the greater part of the land in your district wet or dry?

A.—Where you have the canal it is wet. In other places where there is no canal it is dry.

Q.—Do you say that 15 acres of dry land is needed to constitute an economic holding?

A.—Yes, because generally these farmers will not be a single family people but living under the joint family system.

Q.—What is the size of the family you have in view?

A.—I have in mind a family of at least half a dozen members, the husband and wife, and two or three grown-up children with the eldest being married. That is generally the unit for this province. The family separates only after a late stage but till that time they manage together.

Q.—But for such a family is it necessary to have 15 acres of land?

A.—Suppose one crop fails, the next there should be for him to depend upon.

Q.—Do you mean by it a unit which will enable the farmer to be well-to-do or one which will enable him just to make both ends meet?

A.—What we had in mind was this. The person having a pair of bulls will necessarily have to get certain other things for his convenience. The cattle will require grounds for grazing and then all the members of the family cannot be made to depend upon one crop only. In some of these places we find chillies, in some pulses and other things. Supposing tobacco or groundnut crop fails there must be the other crop to enable him to keep his finances all right.

Q.—When speaking of such land as would yield a crop of chillies, i.e., garden land, would not 15 acres be too much for an economic holding? Are you in a position to give actual figures for the outturn of the various crops in a holding like that?

A.—I have in mind one particular instance where the farmer who was tilling our own lands before he was unable to pay his dues properly and so was sent away. After some time about 5 or 6 years ago we brought him back. We gave him 5 acres. He has his own of 3 acres and has taken on lease 3 to 4 acres of other people's lands. He has six male children and two female children and of these the elder two children are adults. All these attend to different sorts of work. In these 5 acres of land 1½ acres are garden lands. A small portion has been used for raising turmeric, some portion for chillies, and in this way he has distributed the work in the land. The place being very near a town like Bezwada he sends his produce day after day to the market through some members of the family. For the garden he deposes two or three of his own people. In five years' time he has got rid of all his poverty. I am sure that, but for the fact that he had so much land under him, he could not have come out of his debts.

Q.—Is it not due to the fact that his grown-up children helped him?

A.—Yes, but the grown-up children had no separate establishment of their own.

Q.—They could have taken some lands on varam?

A.—If it is a small holding, certainly he could not have anything to fall back upon.

Q.—You speak of some competition between your bank and the other banks. Do you also include the co-operative banks?

A.—Yes; that is in regard to the deposits. They give a certain rate of interest and the prestige of the co-operative bank is always there due to the examination by the Government and the fact that their affairs are more carefully looked into. Hence the people naturally go there. We have necessarily to offer higher rate of interest on deposits than the co-operative banks. In spite of all this the result is that the deposits are divided equally between the two.

Q.—Is your bank located near the co-operative bank?

A.—It is just a few yards away.

Q.—Is not Masulipatam a business resort?

A.—Yes.

Q.—I think you said in reply to the Chairman that your bank was away from the business centre. Is it not so?

A.—Not our bank. I was talking of the Imperial Bank. On account of its distance from the business centre people did not go to the Imperial Bank and open current account in it.

Q.—After all the co-operative bank was started earlier than your bank?

A.—Yes. The co-operative bank was started nine years back and the Andhra Bank was started six years back.

Q.—And seeing that it is a co-operative venture it must be regarded a national asset. Is it not so?

A.—They began early no doubt.

The Chairman: Has not the same man started both the banks?

A.—Yes.

Mr. Thomas: Why?

A.—The bank is not one man's affair.

Q.—What I want to ask is that since the co-operative bank has done well, you have no justification in complaining about competition?

A.—I am not complaining. I am merely asserting a fact.

The Chairman: Do not the two banks deal in entirely different businesses?

A.—Yes.

Mr. Thomas: What is the kind of business done by the Vaisyas and the Marwaris?

A.—The Marwaris lend only in a certain way, whereas the Vaisyas deal in quite a different manner. The Marwaris lend to all people, but then the Vaisyas lend at the early stages when the borrowers have not reached the verge of insolvency. The Marwaris go to the other extreme and give moneys generally to such people as are unable to get from Vaisyas. The Marwaris take greater risks and they demand higher rates of interest and naturally they are recovering their moneys by very stringent methods.

Q.—Who among these has got relationship with marketing?

A.—The Vaisya. He is generally a commission agent as well.

Q.—Not the Marwari?

A.—Originally he had nothing to do with marketing. But he has also recently taken to marketing. But the Vaisya also keeps a commission shop. His condition generally is that the produce must necessarily be sold through his agency, so that he gains not only in interest on the money lent but he also gets commission on selling the produce.

Q.—Is there competition between Vaisyas and Marwaris?

A.—We cannot exactly say that there is competition. It is only when a person cannot usually get from the Vaisya lender that he goes to the Marwari lender.

Q.—To whom do the people take kindly?

A.—To the Vaisyas certainly. The Marwaris are always unscrupulous in their methods.

Q.—Are not the Vaisyas local people?

A.—Yes, they are local people.

Q.—You spoke of 'several professors of economics' not knowing how to sign a cheque. May I know who they are?

A.—You will kindly excuse me if I do not give you the names of the professors.

Q.—But are they economic specialists, after all?

A.—At least one I know was a professor of economics.

Q.—Was he, really?

A.—Yes. I can easily point out a number of people, B.A., B.L.'s and B.A., L.T.'s, who are nervous about drawing cheques or even about endorsing them. The principal of a college did not know how to endorse and said 'Do something and get me the money at any cost.' So that there is no exaggeration when I say that very many educated people, even people who are supposed to know economics and commerce find themselves at sea when asked to handle cheques.

Q.—Is it not because the banks have not been functioning well enough to justify their existence?

A.—I do not say it is the fault of the Imperial Bank.

Q.—I ask you if the reason for the nervousness in handling cheques is rather due to the too many bank failures and the doubtful method followed by some of the mushroom banks?

A.—It is not that way. We have got to tell these people that there are banks and to induce them to have recourse to them. That is the kind of work that has to be done.

Q.—What proportion do you in the Andhra Bank keep as fluid resources?

A.—In regard to fluid resources we are generally following the rules laid down for the co-operative societies.

Q.—Do you keep the same proportion?

A.—Almost the same proportion.

Q.—Where do you keep it?

A.—We do not keep it in any separate place. But we so manage our resources as to be able to get money for any unexpected call.

Q.—Every day you may be lending what you receive. But suppose there is a great call. How will you meet it?

A.—Some money we keep in the current account in the co-operative bank or the Imperial Bank, and also keep an undrawn overdraft limit. Such things can be said to be in a fluid condition. And we keep some amount in cash also. These are all the fluid resources and this is how we keep them. We cannot possibly earmark any money for the purpose and keep it in a chest.

Q.—Are you in a position to meet all your demands?

A.—Certainly.

Q.—Suppose there is some kind of 'run' on the bank. Will it be in a position to meet such a case successfully?

A.—Every man has always to be guarding his position.

Q.—You know that banks have got to keep a solid reserve somewhere. In England, all joint-stock banks have their reserves in the impregnable vaults of the Bank of England. In the same manner, are you keeping a reserve which will stand you in good stead?

A.—As a matter of fact we have a certain amount as reserve fund, and all that we are keeping intact as investment in the debentures of the land mortgage bank. We are not pledging them.

Q.—Do you keep it in the vaults of your bank?

A.—Yes.

Q.—Could you tell me what the amount is?

A.—The reserve fund is Rs. 10,000 and odd.

Q.—They are inside the vaults of your bank?

A.—Yes, without being pledged in any way for overdraft facilities.

Mr. Muthiah Chettiyar: Do indigenous bankers have accounts in your bank?

A.—Some have.

Q.—Are there any other banks also in your place besides the Imperial Bank?

A.—There is only one other small bank which was started some seven months back. It is a joint-stock bank and there are no other banks excepting the urban banks and the co-operative banks.

Q.—Can you tell me the terms on which you lend to the indigenous bankers?

A.—The indigenous bankers rarely borrow from us. They keep with us fixed deposits in the off-seasons when they have got surplus money and against the security of these they borrow from us whenever they require.

Q.—You state that the indigenous bankers lend at a rate between 10½ and 18 per cent. What will be the net yield on the capital of the indigenous bankers?

A.—Their expenses are very little. They keep perhaps one clerk on Rs. 25 or Rs. 30 a month and they generally make from 9 to 12 per cent net profit, after writing off the bad debts and other expenses.

Q.—You say that the indigenous bankers would easily be able to make profits at 9 per cent after leaving adequate margin for incidental losses. I suppose this statement will hold good even if they reduce the rates of interest.

A.—It is not a case of reduction.

Q.—Could they lend below the rates prevailing now?

A.—It cannot possibly be so. Bad debts they necessarily will have and the 9 per cent is after making sufficient provision for bad debts and other expenses.

Q.—Do indigenous bankers have much difficulty in realizing their loans?

A.—They do when they are not careful. Now even the most careful man has to be walking to the court every day.

Q.—Is that mostly in regard to clean loans or secured loans?

A.—They give all sorts of loans and in most cases they find the same difficulty. Only in the case of mortgage loans they are more sure of recovery. In the case of clean loans they cannot be so sure.

Q.—Do the indigenous bankers lend on the produce?

A.—Not in the Kistna district. Here I understand that even the Marwaris are lending against the produce and they do not insist on insurance and the other formalities required to be gone through by the Imperial Bank. Hence even though the rate of interest charged by the Marwaris is 12 per cent, many only go to them in preference to the Imperial Bank.

Q.—Why?

A.—In the case of the Imperial Bank the interest is only 9 per cent, but when the insurance charges and other incidental charges are taken into account, it comes to about 10½ to 11 per cent very easily. If it is the Marwaris lending money they get very many more facilities. For instance, when the godown is only half full, the Marwari locks it and advances money. When a customer comes he gives partial delivery of the goods. The Marwari allows it even supposing the party were to say that he will pay after the delivery of the goods.

Q.—Do the Marwaris and the Vaisyas lend on gold?

A.—Yes.

Q.—What is the rate of interest charged?

A.—It is about 10 per cent.

Q.—Does your bank lend on gold?

A.—Our bank has not begun it. The Bharata Laxmi Bank and the Imperial Bank lend on gold.

Q.—What is the rate of interest there?

A.—They charge about 8 to 9 per cent in the Imperial Bank. I think it is about 1 per cent over the bank rate.

Q.—What is the rate charged by the other banks on loans given to the indigenous bankers?

A.—The Imperial Bank charges 2 per cent over the bank rate and we charge 3 to 4 per cent over the bank rate.

Q.—What is the average?

A.—About 3 per cent over the bank rate. In the ordinary season it will be 3 per cent and in the dull season it will only be 2 per cent.

Q.—How do you expect the indigenous banker to get 12 per cent net yield when he takes loans at 9 to 12 per cent?

A.—If the indigenous banker is able to give good security he gets at 9 per cent or even 8 per cent.

Q.—Will he be able to get good security also when he lends?

A.—Certainly. Money is lent at 10½ to 12 per cent in the case only of mortgage loans.

Q.—Is it possible to get security for all the amount that people want? Should there not be some agency for lending money as clean loans?

A.—Yes; there must certainly be an agency who will take greater risks. The banks do not lend on single signatures, but the indigenous banker can do it. Such an agency is absolutely necessary and you cannot possibly dispense with it and at the same time the reduction in the rates is possible only if deposits flow into banks.

Q.—What is the rate that the indigenous banker pays on the deposits he receives?

A.—From 6 to 9 per cent.

Q.—What is the period?

A.—No exact period is fixed. They take the money and make an entry in their books and there the matter ends.

Q.—Sometimes do they not give pro-notes?

A.—They do not give any pro-notes, not here at any rate. Perhaps in Madras they do. Here not even an official receipt is given for the money deposited. The confidence is so much in the indigenous bankers that a mere entry in their books is sufficient and no receipt even is required. Whenever the depositor wants money he can draw it,

Q.—Generally for what periods do they lend to the agriculturists?

A.—Generally the condition will be to get repayment when the produce comes into the debtor's hands.

Q.—That is during the harvest season?

A.—Yes.

Q.—You were just saying about godowns. Do you think it is better to have warehouses run by the Government or the municipality or run by private people? Which will be more popular?

A.—People who can afford to invest their money in building houses can certainly invest in building godowns and that will certainly be much better if only they are directed properly and facilities are afforded to them.

Q.—Do you not think that the indigenous bankers will have more confidence if they were to lend against produce kept in godowns run by the Government or the municipality or the district board, than against the produce kept in private godowns?

A.—I have already mentioned that a certificate corresponding to the warehouse-keeper's certificate will certainly be of great advantage to the indigenous bankers and ultimately it will help the borrower in that the cost will be reduced.

Q.—You say that the total indebtedness of the ryots may be estimated at about Rs. 2 crores in your district. Does this include the money lent by the indigenous bankers?

A.—Yes.

Q.—You say in regard to land mortgage banks that the district can bear another 18 banks in addition to the two-existing banks. Will they be in a position to do all this business?

A.—Well, they ought to. That is all I can say; and if they do it, the moneys of the indigenous bankers will flow into the banks. That is what we find now. There was enough money lying idle in their hands. With the establishment of the land mortgage banks, the co-operative banks and our own bank we find some two or three of these prominent indigenous bankers finding lots of money in their hands without any possibility of investing so that in the dull season they keep their money as deposits in the banks. As banks increase the moneys are necessarily bound to flow to the banks as deposits.

Q.—As for the finances the merchants in towns like Masulipatam require, from whom do they get money?

A.—They get from the banks or the Marwaris or from the usual accounts that they have between merchants of one place and another.

Q.—You say that 'at present joint-stock banks lend only for six months while co-operative banks lend for 12 months except where they give five years' loans and that in between there must be three years' loans also.' Could banks afford to give loans for three years?

A.—Well if they accept deposits for three years there is nothing to prevent them from lending for a period of three years.

Q.—Do they get deposits for three years?

A.—We do. In such cases if proper care is taken investments for three years must be possible.

Q.—Is it possible to get deposits for three years?

A.—Yes. Most of the indigenous bankers now find it safer to deposit their moneys with joint-stock banks.

Mr. Thomas: Why is it safer?

A.—Because the business of the banks is public and well known and they feel sure of their money as they can get it whenever they want.

Q.—You say that the Vaisyas are more popular. But are they not in the same position as the Marwaris?

A.—No. The Marwaris are foreigners and their business is not so well known as that of the Vaisyas who belong to the place.

Mr. Maniswami Nayudu: You have dealings in zamindari areas?

A.—Not much, except some few people who come to us for borrowing.

Q.—Do you find any difficulty from people who belong to the zamindari areas?

A.—No. We do not find any difficulty in their dealings.

Q.—Have you experienced any difficulty in ascertaining the value of the lands and the title-deeds of the man?

A.—Yes, some. They are unable to produce them. But these difficulties will come in the way of the successful working of land mortgage banks.

Q.—That is true, but I am asking about your own bank. Have you found any difficulties in ascertaining the title to land? Have you any suggestions to make to improve by way of getting better proof of the title to land?

A.—I have already mentioned that. An agency may be set up for this purpose and if the zamindar allows the land to be surveyed and pattas and muchlikas to be given then an improvement will have been made in that direction.

Mr. Gopala Menon: Yours is a joint-stock bank, is it not?

A.—Yes.

Q.—What is the paid-up value of your share?

A.—It is Rs. 100.

Q.—Fully paid up?

A.—Yes. Recently we have issued some shares the paid-up value of which is Rs. 50.

Q.—What is the value of the share in the share market?

A.—Fully paid-up shares are quoted at Rs. 140.

Q.—And partly paid-up shares?

A.—I do not know their quotation as they have been only a month back.

Q.—What is the total number of your directors?

A.—Eleven.

Q.—You are the secretary of the bank?

A.—Yes.

Q.—How long have you been the secretary?

A.—I have been there since September 1929.

Q.—Have the directors delegated to you any powers?

A.—Yes, certain powers incidental to the carrying on the office of the secretary.

Q.—Are you authorized to grant loans?

A.—Not alone. Loans were granted and sanctioned at a business committee of the directors' meeting originally, but some time last year it was abolished and the number of directors reduced from 15 to 11.

Q.—So there is no business committee?

A.—No.

Q.—What is your chief business? Banking business?

A.—Receiving deposits, lending against deposits, against joint signatures, discounting bills, selling drafts on other places, etc.

Q.—Do you open savings bank accounts?

A.—Yes.

Q.—What is your experience of savings bank accounts in your bank? Are they very popular?

A.—Yes.

Q.—What is the total sum you have got in the savings bank accounts of your bank?

A.—We have Rs. 20,000 in them.

Q.—Against current accounts how much?

A.—We have about one lakh in the dull season and in the busy season between Rs. 50,000 and Rs. 75,000.

Q.—How much in fixed deposits?

A.—We have now five lakhs.

Q.—Can you suggest any means by which the savings bank accounts can be encouraged amongst the people in the locality?

A.—It can be only done by education.

Q.—Have you any suggestions to make as a bank secretary to increase the banking habit on the part of the people to open more savings bank accounts?

A.—It is only by making the bank more powerful and more popular and adding to its activities.

Q.—What is the rate of interest you are allowing to your customers' savings bank accounts?

A.—We are allowing 4 per cent on the monthly minimum balance.

Q.—What is the minimum balance?

A.—Rs. 5.

Q.—What interest are you allowing on fixed deposits?

A.—6 per cent.

Q.—Is it possible to increase the rate of interest on these savings bank accounts in order to induce people to deposit more money in that way?

A.—The rate of interest does not count much in this case. It is the habit that ought to be developed.

Q.—Do you think that by allowing these people to draw their amounts from the savings bank account by means of cheques you could encourage the opening of more accounts by the people?

A.—I do not find anybody complaining about it. Now when they want money they send in their letter with a messenger with the pass-book and thus get the money. My experience is that some of those people who have current accounts send their pass-books when they draw cheques.

Q.—Since the stamp duty on cheques have been abolished do you find that people have been issuing more cheques?

A.—As regards such of those people who have been accustomed to current accounts before, they certainly are using more cheques.

Q.—You say that the banking habit on the part of the people has increased?

A.—I do. By the abolition of the stamp duty more banking accounts have been opened and greater use of cheques have been made.

Q.—Are these cheques all drawn in English?

A.—The majority of the cheques are drawn in the vernacular.

Q.—Are you issuing cheque books to your constituents printed in vernacular?

A.—We have now only English cheque books, but we are thinking of having them printed in Telugu also.

Q.—You told us a little while ago that people experience difficulty in deciphering endorsements on cheques. Does your bank experience any difficulty in deciphering vernacular endorsements?

A.—The thing is, we find a lot of difficulty in making the people endorse in the manner we require.

Q.—Suppose I do not know Telugu, but know only Tamil. I endorse a cheque in Tamil. Will you accept that endorsement?

A.—We cannot possibly refuse it. We have to appoint (or refer it to) some one who knows Tamil.

Q.—You do not think there is any difficulty in making a special endorsement on a cheque even though it is made payable to bearer? That is you do not object to bearer cheques being converted into order cheques by special endorsement?

A.—The nature of the bearer cheque must not be altered merely by the fact that it is specially endorsed by somebody.

Q.—Under the present law a bearer cheque becomes an order cheque if it is specially endorsed? You want it to be altered?

A.—If that difficulty is removed perhaps the popularity of cheques will increase.

Q.—What is then the safety for the man who endorses?

A.—It is not for safety that one signs on the back of a bearer cheque, it is as a matter of custom.

Q.—So you want cheques to be drawn in the vernacular "or bearer"; at the same time you do not want people to endorse the cheque to another on the back of it to make it a specially endorsed cheque?

A.—Yes.

Q.—There was a legislation to that effect. What I want to know is don't you think that the European bankers will find it difficult to decipher others' endorsements properly if they are made in the vernacular, the endorsee likes, and they therefore wanted a bearer cheque or bill should always remain so notwithstanding any endorsements made therein to the contrary. I presume you agree to their contention?

A.—That cannot be helped, especially when you consider the hundreds and thousands of people who will be benefited thereby. Only a few banks will suffer and they even can afford to keep a munshi.

Q.—You are, therefore, contradicting. But you however want them to engage a munshi for each language to get over the difficulty?

A.—A munshi is a man who knows different languages.

Q.—Suppose there is a central bank. You will find that a large number of cheques with endorsements made in different vernaculars coming up there and especially if there is a clearing house established they will find it difficult to get the cheques put through that particular clearing house especially when it comes say an hour before the time of clearing?

A.—It might inconvenience banks in cities say for example in Madras, but if we consider the inconvenience to hundreds of people, I am inclined to think vernacular endorsements are preferable.

Q.—So you think it is better to keep a bearer cheque always a bearer cheque?

A.—Yes.

Q.—Have you had any bad debts in the past?

A.—We had one only in the past and that was only for a few hundred rupees and we had made ample provisions for it.

Q.—You said that by the audit by Government of the accounts of co-operative banks the public have got greater confidence in these co-operative societies. Are not your accounts audited by auditors who have passed the G.D.A. examination and certified by the Government? Then why do the public have any preference for the audit carried out in co-operative banks?

A.—There is a lot of difference between audit and inspection. Audit is merely looking into accounts, and their correctness. But inspection is going into the business side of it also.

Q.—In our ordinary joint-stock banks the directors are responsible for the business aspect of the bank. The auditor audits the accounts submitted to him by the directors?

A.—But the director is a man of the bank and what he does the depositing public will have no knowledge of and since the appointment of the auditor depends upon him, the auditor does according to the directions of the director. The auditor can never be independent in his views nor could he write strongly against the bank.

Q.—You know there is a proposal by the Government of India to have a society of auditors established and all the duly qualified auditors are to be brought by registration into that society. If such a society is started do you mean to say that their audit will not be considered so good as audit carried out by the co-operative department?

A.—Yes, if it is an independent society and the appointment of the auditor or auditors is not in the hands of the bank. That certainly will improve matters. My objection to the auditor is that he concerns himself about accounts only and inspection is something more than that and the latter will infuse more confidence.

Q.—What remedy do you suggest?

A.—That the appointment of the auditors should not be in the hands of the banks and should not be in the hands of the directors also.

Q.—But the directors are responsible for the accounts?

A.—The directors are part and parcel of the bank and the investing public have nothing to do with the bank.

Q.—The directors are responsible to the shareholders and to the investing public and the auditors are appointed at the annual meeting of the shareholders?

A.—But what about the responsibility to depositors? That is why deposits come more frequently to co-operative banks than to ordinary joint-stock banks. Of course there is the questions of prestige also, their standing position and those things.

Q.—Is it general that more deposits come to co-operative societies than to Indian managed joint-stock banks?

A.—To some extent I think it is. If a bank is started at the same time as a co-operative society then people go to the latter.

Q.—You mentioned a little while ago that money is deposited with indigenous bankers even without the sum being entered in their pass-books or without giving any receipt for the deposit. Do they in the same manner lend money on open accounts? When they grant overdrafts or accommodation, by loans do they treat that transaction similarly?

A.—Yes, they begin in that way.

Q.—A man comes and arranges to have an overdraft or a loan from an indigenous banker. You say that the indigenous bankers allow him the loan even without security. Do they do it generally?

A.—That is not always the case. But generally a person comes to an indigenous banker and tells him he wants money and he gives it, but in doing so he considers whether the customers' credit is very good. If your credit is good you have only to send somebody to the banker, and he gives the money. As regards the limit of the overdraft it depends upon circumstances.

Q.—Do you find much competition between the sowcars and Indian managed joint-stock banks?

A.—Only when a man cannot get accommodation from a bank that he goes to the indigenous banker.

Q.—Do you think in such cases the sowcars demand higher rates of interest?

A.—No.

Q.—Do you think the influence of the sowcar is waning much? Is he still a living institution?

A.—He is still carrying on his business and unless the co-operative movement has taken root in each and every village it is not possible to displace him.

Q.—Are you advancing loans more on mercantile produce or on food grains?

A.—It is only against paddy we are advancing loans at Masulipatam.

Q.—How many branches have you?

A.—Only one in Cocanada.

Q.—You said you experience some difficulty in making internal remittances. Can you suggest any remedies to overcome the difficulty?

A.—The Imperial Bank is in charge of the Government treasury. That bank should give some facilities to the joint-stock banks. Now they are treating the joint-stock banks and ordinary customers in the same way. I suggest that some preferential treatment should be accorded to the former. If they quote lower rates for transfers internal remittances will be facilitated.

Q.—In this connexion what is the security that you propose to give to the Imperial Bank for such help that they are required to render to you?

A.—Well, the security is the general assets of the bank itself.

Q.—What is the percentage that you expect to get in such cases?

A.—The Imperial Bank discounts for two annas or three annas per cent.

Q.—No. That is not it. Suppose you have a hundi for Rs. 1,000 and what proportion of it you want the Imperial Bank to advance to you? Will you put it at 60 or 70 per cent?

A.—If a merchant takes a hundi for say Rs. 1,000 to the Imperial Bank they take two or three annas per cent and give the rest to him right away.

Q.—What is the usance of that hundi?

A.—Generally payable on demand, or within a few days.

Q.—If it is drawn on the Imperial Bank, itself they will give, but if it is on any other banker will they give?

A.—Yes, they do, but they take into consideration the credit of the drawer, his reputation.

Q.—You mean that if there is the Imperial Bank and an Indian managed joint-stock bank, you want the bill to come to the joint-stock bank?

A.—As it is now, what we find is when we quote a rate, the Imperial Bank quotes a lower rate.

Q.—On what does your lending rate depend? Do you quote a certain percentage over the Imperial Bank rate?

A.—We fix our own rate. The Imperial Bank has got so many branches so much so they need not pay anybody in the foreign place to collect the hundi, but we have to pay collecting commission.

Q.—If you consider that there is serious competition, is it not better that the lending rates should be fixed by all the banks consulting together? Is it not better to have a fixed lending bank rate?

A.—That is possible only when all the banks are on the same level. The Imperial Bank stands in a privileged position.

Q.—You said that the mercantile community does not care to send their boys to any banking class or commercial schools. How did you draw that inference?

A.—Because those boys are trained in their own shops from the beginning and rarely do you find merchants' boys going up for higher studies and these commercial studies can be begun only when the students come to the fifth form or the school final class.

Q.—Nowadays you find a number of commercial schools springing up everywhere in the Presidency and we have a surplus of students who have come out from the commercial schools. Will you appoint one as a clerk who has got a practical knowledge of banking and who is educated in a commercial school or take one without possessing that qualification?

A.—I will, but the mercantile community will not. Certainly the trained man is better than the untrained man.

Q.—Do you consider that banking education is a necessary equipment for a bank clerk?

A.—Yes, it is an absolute necessity. I find that owing to the existence of the co-operative movement a lot of people who otherwise would have known nothing of banking know much about banking now. They act as secretaries and clerks and so on and they have had no education in banking.

Q.—Have you got any clerk in your bank who has got a certificate in book-keeping, or commercial practice or banking?

A.—I have one who has passed part I of the Institute of Bankers' examination and who has passed most of the subjects in part II.

Q.—Do the merchants charge any interest for hand loans given to other merchants?

A.—I am not aware.

Mr. Thomas: May I know what interest you charge on current account?

A.—Two and a half per cent on daily balances.

Mr. Hameed Sultan Maricair: You just said the Imperial Bank has asked some of the merchants who dealt with other banks to close their accounts or else not to have transactions with other banks?

A.—Yes.

Q.—Were you satisfied at that time when the Imperial Bank warned them that those merchants were not indebted to the Imperial Bank to the hilt?

A.—It is not a question of indebtedness. It was merely for discounting some bills that they came to us. The question of indebtedness to a large extent does not arise at all.

Q.—Your bank does not advance on gold?

A.—No. We do not want to engage in it just at present, but on produce we have just begun.

Q.—You state you are giving loans only on paddy?

A.—Because that is the important available produce in Masulipatam.

Q.—From what you say you are not for the opening of more branches of the Imperial Bank?

A.—Well, not in competition to Indian managed joint-stock banks. Where already there are no Indian joint-stock banks the Imperial Bank can open branches. Certainly if no one is there already any one can be there.

(The witness then withdrew.)

Thursday, 9th January 1930.

RAJAHMUNDRY.

P R E S E N T :

Mr. H. M. Hood, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

**M.R.Ry. Rao Sahib N. RANGANATHA ACHARIYAR Avargal,
B.A., B.L., Deputy Registrar of Co-operative Societies, Bezwada.**

*** Oral evidence.**

The Chairman: Mr. Achariyar, we are indebted to you for the useful note you furnished on the Committee's questionnaire.

*Q.—*How long have you been in this Co-operative Department?

*A.—*Ten years.

*Q.—*And before that?

*A.—*I was a Revenue Divisional Officer.

*Q.—*Where did you serve?

*A.—*In the Kistna, Godavari, Nellore, Guntur and partly in Ganjam and Vizagapatam districts.

*Q.—*But mostly in?

*A.—*Kistna and Godavari taluks.

*Q.—*So you have got a fair amount of experience?

*A.—*Yes.

*Q.—*I propose to ask you a few questions regarding the record of rights. You suggest that it should be done by the Revenue Department?

*A.—*Yes.

*Q.—*A suggestion was made yesterday that any record of rights should be in the hands entirely of the Registration Department.

*A.—*I appear to have said in my note, the Revenue Department in collaboration with the Registration Department.

*Q.—*Do you think there would be any difficulty in the way of the Registration Department entirely taking over the whole thing?

*A.—*I do not know whether they will be prepared to take over the whole thing and whether they would find it possible to have the thing accomplished without the help of the Revenue Department. Without their assistance they cannot take up the work of compiling a record of rights because the main lines of enquiry will have to be done by the Revenue Officers.

*Q.—*Will there have to be enquiry on the spot?

*A.—*Yes, in certain cases.

*Q.—*Under 'Indigenous banking' you refer to the 'Nagu' system. I gather from your note that the 'Nagu' system of loan, of granting loan repayable in kind involves an infinitely higher rate of interest than the cash system. Is that your idea on the subject?

*A.—*Yes. It obtains only in certain portions of the Nellore district and to my knowledge not in the Kistna district.

Q.—Why is that? Do you think it has died out?

A.—It is dying out.

Mr. Thomas: You have stated in the very first paragraph (c) of your note "the tobacco growers in the Guntur district receive advances from foreign tobacco companies for cultivation on the understanding that the produce will be sold to the companies". Do you happen to know the terms of business on which this is being done?

A.—I do not know. But I know as a matter of fact that this practice exists, and that loans are given on this understanding.

Q.—You have no idea of the methods of the transaction?

A.—Not of the details of these transactions.

Q.—You say that the Government have raised the rate of interest on takavi loans from 1907 to 1921. Can you tell me why the rate has been pushed up?

A.—That is the rate at which the Government themselves borrow.

Q.—Do you think the 'Nagu' system is dying out?

A.—Yes mainly as a result of the extension of the co-operative movement.

Q.—According to Sir Frederick Nicholson's Report, if I remember right, the greater part of the loans were grain loans. It is not so now?

A.—Grain loans are now going out of vogue. Sir Frederick Nicholson published his report some 30 years ago and his conclusions at that time does not hold good now, at least in this respect.

Q.—So grain loans are very few?

A.—Yes very few.

Q.—You say "the village money-lender generally enters into a contract with the ryot that the produce of the land shall be sold to him at a favourable rate immediately after the harvest". Have you any idea as to what extent the ryot loses thereby?

A.—By selling it at the harvest the ryot loses from 10 to 20 per cent. By holding over the produce for some time more he would have got about 10 to 20 per cent more.

Q.—You say in your note that such loans given to agriculturists are not always used for agricultural purposes. Then for what other purposes are they used?

A.—For marriage ceremonies, education of children, other ceremonies, etc.

Q.—Have you any idea as the proportion of the loans spent for these different purposes?

A.—I think I can only hazard a guess. Roughly it is only 50 per cent of the loan that is spent for strictly agricultural purposes and the rest are spent on other purposes as marriage, etc.

Q.—Of the other purposes which is the most important?

A.—I think, marriage and its incidental expenditure as dowry.

Q.—What about jewellery?

A.—I do not think they get jewellery from loans, except perhaps that part of it which goes to the son-in-law or the daughter at the time of the marriage.

Q.—What about buying land on borrowed money?

A.—I think I have stated it in my note.

Q.—You speak of a nidhi in these parts. Does that nidhi have a share capital?

A.—It is the Nellore permanent fund. I have no idea.

Q.—Have they any bad debts? Have you any information on that?

A.—No.

Q.—Do they distribute profits to their shareholders after taking into account the bad debts?

A.—I have no idea, I am not aware of the details.

Q.—Is there in these parts much fragmentation of holdings?

A.—Yes, to a large extent, especially in the deltaic area.

Q.—What is the lowest holding that you know of?

A.—Say one acre.

Q.—Nothing below that?

A.—There are, sometimes, even 50 cents, but generally one acre, or 50 cents of wet land with some dry lands.

Q.—I suppose a man will have generally both dry and wet lands?

A.—Not necessarily. There are villages which are purely dry and certain villages purely wet, and some an admixture of both dry and wet.

Q.—You think that there is considerable fragmentation going on and that it requires to be rectified.

A.—Yes. The number of pattadars is increasing.

Q.—Do they divide each field into bits when brothers divide, or do they give one field to one and another field to another?

A.—That is only very rarely. Generally they divide each field into bits.

Q.—To what extent do Messrs. Brunner Mond & Co. and Parry & Co. finance the agriculturists?

A.—They sell their fertilizers here.

Q.—You speak of Reddi banks. Are they regular banks?

A.—They are not registered banks. They are like Vaisyas and they are peculiar only to the Nellore district.

Q.—You have given the capital required for cultivation expenses for three districts. How did you arrive at those figures?

A.—According to my opinion they represent the normal cultivation expenses.

Q.—What will be the highest yield from that land?

A.—From a wet land it will be Rs. 100, Rs. 30 is the cost of production or cultivation expenses.

Q.—Do you possess any notes where you have accurately put down the different items?

A.—No.

Q.—You speak of 'intensive co-operative education'. May I know what it means?

A.—Co-operative education by sending trained men into the villages to teach the villagers the principles of co-operation.

Q.—You mention the tobacco company's factory at Chirala. Have you any idea of their transactions with their clients?

A.—No. But they have large transactions and they amount to lakhs.

Q.—Are those who cultivate tobacco able to get the market price for their produce? Or have they to accept the prices offered by the company not being able to find other markets to sell?

A.—They have to accept lower prices for want of other markets.

Q.—You speak of Indian Insurance companies being encouraged. To what extent are people in the district with which you are acquainted, getting themselves insured in Indian Insurance companies.

A.—The Andhra Insurance company is doing good business in this district as also the local agents of other insurance companies as the Oriental, the Empire, etc.

Q.—Why do you think their business is not making much progress as compared with foreign insurance companies?

A.—Because they were started much earlier.

Q.—You mentioned about the Andhra Insurance Co., Masulipatam. Is it working well?

A.—Yes.

Q.—I suppose they invest their premia in co-operative banks?

A.—They have taken Rs. 10,000 worth of debentures in the Vadamannadu land mortgage bank.

Q.—In your opinion what percentage of people who borrow money from the money-lenders on the security of their lands have eventually to sell their land?

A.—I think it may be about 50 per cent.

Q.—One gentleman told us yesterday that about 75 per cent of the cases known to him end in the sale of land.

A.—It may ultimately come to that after a lapse of 50 years. I think this 50 per cent is too large a percentage.

Q.—The spread of the co-operative movement has compelled the indigenous bankers to lower their interest. Is it not so?

A.—Formerly they were charging 12 to 24 per cent interest. Even now in the interior they charge the same high rate. Wherever there are co-operative societies there their rates are almost equal to that of the society.

Q.—Do you know any money-lenders who have invested money in co-operative societies?

A.—Only a very few.

Q.—Do you know of people borrowing from co-operative society and lending the same to outsiders at higher rates of interest?

A.—There may be a few cases here and there but they are not general.

Q.—Can you suggest any means of discouraging that practice?

A.—I have no suggestions. But the individual borrowing power is limited so much so that even if they do it the profit will be only very limited.

Q.—You suggest that “co-operative central banks and primary societies should develop the system adopted by the commercial banks for trade purposes, especially the system of hundis and discounting bills”. Do you think that such business is suitable for co-operative societies? Is that work a right line of development for the co-operative movement?

A.—It is a desirable practice. To begin with urban banks must be encouraged to develop the hundi system.

Q.—Have they the necessary experience?

A.—As regards that point I am positive. We can make it obligatory on each bank to employ only trained hands.

Q.—Is that the object of co-operation? Co-operation is meant to increase self-help among the members and not for commercial purposes. But here co-operation passes from the stage of mutual help to commercial profit seeking. Does it not?

A.—I never advocate profit seeking.

Q.—If co-operative societies take to bill discounting business, they will come into collision with joint-stock banks. What do you say to that?

A.—Probably I should not have said ‘Primary societies’. I think I should have said ‘central banks should be encouraged to do it.’

Q.—Do you know of any central bank that does it now?

A.—To a certain extent the Masulipatam central bank is doing it now.

Q.—What success has attended that enterprise?

A.—I cannot give a definite answer. I have not gone into the details.

Q.—Have they met with any difficulties or experienced any troubles?

A.—To my knowledge no.

Mr. Gopala Menon: You say that the system of marketing of groundnut crop in these parts is not uniform. In what respect is it deficient?

A.—That depends upon the status of the producer. If he is a poor ryot he sells it at once at the time of the harvest to the local merchant in the village. If he is somewhat well-to-do, he carries it to the adjoining shandi and if he is in a better position he takes an advance from Messrs. Ralli Bros., or Volkart Bros., and takes also a forward contract and supplies the goods when they are ready.

Q.—In what way is the producer at a disadvantage in such cases?

A.—If he has to sell it at the harvest, necessarily he has to forego his profit, which he would have had if he had the capacity to hold over the produce till a favourable time when the price rose high.

Q.—This business is mostly done on the forward contract system as you have yourself stated. Is it not?

A.—Not in all cases. In a majority of cases this is being done in different parts as the crop is coming up. Business men, I mean the exporters of big or small firms, both Indian and European, have to make forward contracts with the foreign firms and probably these contracts have to be made much earlier than the harvest time and they are being made.

Q.—The system is that these export houses send their agents to the ryots and make these forward contracts at a fixed price. Probably the commodity is delivered immediately after the harvest. In what way is the ryot in a disadvantageous position? What I mean is that the commodity has to be shipped say in the month of December and these contracts are made probably in the month of August or September and naturally the producers quote a price ruling in the market or which the ryot thinks it proper to accept. In what way is the producer handicapped?

A.—The ryot will be in a better position if there is a bureau of information or if the ryot is informed either through the co-operative societies or some other agency of the ruling prices in the market from time to time.

Q.—In which market—in the Madras market or the foreign markets?

A.—In the foreign markets too. The usual thing is that the price is lower in August and it is much higher in November and December. In fact I prepared the prices for groundnut produce on the requisition of the Registrar of Co-operative Societies some time ago and I found that in fact the ryot did not undergo any loss considering that there was a fall in the European market subsequently.

Q.—Do you mean it only taking into account the cost of production?

A.—Yes. After all, it seems to be a gamble.

Q.—What I want to know is whether the producer is at a disadvantage in entering into these forward contracts with any exporter. If he is at a disadvantage would you suggest any remedy that you can think of? First of all, what is the disadvantage? The price between August and December fluctuates; for the earlier period of the export season the producer gets a low price. But as you go on, you will notice that if he has further stuff to sell, he realizes a better price because it is the time when the commodity gets scarce in the market?

A.—There will always be that difficulty in the case of industrial crops.

Q.—You are talking about groundnut which forms one of the important commodities exported from Madras and other ports of this Presidency. In fact it forms the biggest article exported. So I wish to know whether you can suggest any way by which the producer can be placed at an advantage to secure for him a better price?

A.—My difficulty is whether the actual prices ruling in the European market are being made known at least by the local agents to the ryots.

Q.—But there will be different people coming to purchase the article in the market and there will be competition. Is it not?

A.—I do not think there is much of competition. So far as my experience goes I think only two firms buy all the stuff at present.

Q.—What is the price of groundnut now?

A.—I cannot say definitely. I had some notes made ready but I have not got them with me.

Q.—You suggested as a remedy that the co-operative marketing should be tried. Do you think any advantage will be gained by that?

A.—That remains to be seen in the face of what you have now said.

Q.—What is your experience with regard to the groundnut trade and cotton as to the adulteration that is going on and thereby the producer not being able to get the proper price?

A.—Yes. The produce is not properly graded and sorted. Probably if there had been grading it would have fetched a proper price. But that requires a trained man.

Q.—But now this grading and sorting has to be looked after by the ryot? There is no preparation for the market?

A.—Yes.

Q.—The price is the same for different kinds of the same grade?

A.—Yes.

Q.—Do you say that the same thing applies for cotton also?

A.—Yes. there is no grading of cotton too.

Q.—In the case of ginning and pressing have you heard of any adulteration?

A.—Yes.

Q.—So to some extent this reduced price is due to the adulteration that is going on?

A.—Yes, it is.

Q.—You said that as a remedy pools must be established?

A.—Yes.

Q.—Have you thought of the difficulty of establishing pools?

A.—No.

Q.—I want to know the obstacles in forming pools, if you know any?

A.—We have not tried them.

Q.—As you said a little while ago, want of knowledge of the market and want of knowledge of consumers' wants stand in the way of forming pools. So you will have to educate the ryot with regard to preparation for the market and also to find out the consumers' wants. Without that there is no use of forming pools. Is it not?

A.—Yes.

Q.—You also told in answer to one of the questions that it is better to have a central bureau of information. What sort of information do you want this bureau to collect and disseminate?

A.—Prices for instance that are ruling in the Tiruppur market with regard to cotton and similarly in the case of groundnut. Information regarding the prices of such commodities all over the Presidency should be disseminated either through the agency of co-operative societies or by Government in some other form.

Q.—So you admit that there are difficulties in the present method of marketing?

A.—Yes. There is no proper grading now.

Q.—Is there any difficulty experienced in some parts with regard to want of proper communication? I want to know whether the enhanced price is due to the difficulty of bringing the produce from one place to another?

A.—No. We have got good communications in these districts, either by canal or by rail or by road.

Q.—Have you experienced any other difficulty in regard to the low prices which the producer is getting?

A.—No.

Q.—You know that the local bodies are levying a cess on the agricultural produce. Do you think that enhances the price in any way?

A.—No, we have no shandis here in these parts.

Q.—You have made reference to the loan and sale societies in your written evidence. What is the idea with which you want them to have control over the sale of the produce?

A.—To make advances to the ryots for the expenses of cultivation and to take over the produce and grade and sort it, and to see that the ryot gets the most for his produce.

Q.—What is the system that you would adopt in selling the produce after it is graded?

A.—I think it should be given to some wholesale dealer.

Q.—Should it be by auction? Do you think that by putting it up for auction a better price could be obtained?

A.—No, I do not think so.

Q.—Do you think that when you open loan and sale societies any extra establishment will be necessary?

A.—Yes. A qualified manager and a trained accountant.

Q.—Do you think that if the central bureau of information which you suggested publishes pamphlets with regard to the marketing conditions of the different commodities in the vernaculars of the districts, it would be of much help to the agriculturists?

A.—Yes.

Mr. Muthiah Chettiyar: With regard to the indigenous bankers, what are the cheap rates at which they receive money?

A.—Generally they get from 6 to 9 per cent.

Q.—Is that cheap?

A.—Yes.

Q.—You say that the most common rate of interest is 12 to 24 per cent. Does that rate not vary with the amount of money lent?

A.—Of course it varies.

Q.—How?

A.—If the amount is several thousands it will only be from 12 to 18 per cent, and for one or two thousand it may be from 18 to 24 per cent and so on.

Q.—What will be the net yield that the indigenous banker gets though he charges 12 to 24 per cent?

A.—On his own capital I think he may get about 12 per cent.

Q.—That is about 3 per cent over the rate he pays on borrowed money?

A.—Yes.

Q.—You say he keeps false accounts. How do you substantiate it? For what purposes does he keep them? Do you mean that the account books are false or that there is false accounting or that only the weights and measures are false?

A.—It refers only to weights and measures. Perhaps I may have referred to the village sowcar who attends to the money-lending as well as the purchasing of the produce.

Q.—Are they afraid of the Income-tax Department?

A.—It is because they do not want that their transactions should not become public. In the first place they are afraid of being assessed to income-tax.

Q.—Is the Income-tax Department too hard upon the indigenous bankers?

A.—It is a difficult question to answer.

Q.—What is the basis generally on which the Income-tax Department make assessments? Is it on cash basis or on accrued basis?

A.—When I was having something to do with it as a Tahsildar, I was making enquiries of the village officers and also the local public.

Q.—You have suggested that a reserve bank should be established in each district and the proposal about a year ago was that there should only be a branch of the reserve bank at Madras. Do you think that a branch of the reserve bank in every district is necessary?

A.—Branches will do.

Q.—When there is the Imperial Bank could it not be made to function for the reserve bank in the districts?

A.—I have no objection if they are burdened with the same obligations and duties of the reserve bank.

Q.—As for the information bureau that you have suggested, do you think there must be an information bureau for every district or every centre or only one for the whole Presidency?

A.—One for the Presidency disseminating information to the district centres.

Mr. Thomas: About the Panchama hamlet you have mentioned, may I know if the people are landowners?

A.—Yes, they are.

Q.—I presume that a family consists of about five persons?

A.—Yes.

Q.—For the 43 families you mentioned the number will only come to 200 odd. Is it not so?

A.—Yes.

Q.—In that case the debt per head is very large?

A.—Yes.

Q.—Is that village particularly bad? Or is it a typical village?

A.—It is a particularly good village. Ordinarily very few Panchamas own lands. It is only these people that own lands.

Q.—So even in that flourishing village, such extensive indebtedness prevails?

A.—Yes.

Q.—Have you some general knowledge of the villages close by?

A.—Yes.

Q.—Do people own land there?

A.—Very few have land.

Q.—Then, is indebtedness due to having lands?

A.—To some extent it is so, because they are able to borrow on the security of the land but for which they would not have been in a position to get loans.

Q.—Would you say that in a non-Panchama village having the same number of people, the amount of indebtedness per head would be less?

A.—Yes.

Q.—Do you think that the Panchamas are more indebted?

A.—Yes.

Q.—To whom are they indebted?

A.—To the local money-lenders.

Q.—Are not the village money-lenders mostly ryots?

A.—Ryots and Baniyas.

Q.—Have you taken the proportion of the loans given to the villagers by both? Is it not a fact that the ryot money-lenders are giving more loans than professional money-lenders?

A.—Yes.

Q.—And in some cases as bad?

A.—Yes. They are as bad as the sowcar money-lender, because the former while he accepts interest also contracts for the services of the debtor.

Q.—Is it the case with all the ryot money-lenders?

A.—Yes.

Q.—What kind of service is expected?

A.—Cultivation of the fields.

Q.—What about non-Panchama borrowers?

A.—It is not in the case of non-Panchama borrowers. Because the Malas or Panchamas or Adi-Dravidas are field labourers.

Q.—How far has co-operation advanced among the Panchamas?

A.—In Guntur district there are about 250 societies exclusively for the depressed classes.

Q.—In those villages, is the indebtedness much lower?

A.—Instead of borrowing from money-lenders at high rates of interest they are borrowing from the co-operative societies at a much lower rate.

Q.—So you find some real difference in regard to prosperity between villages with and others without co-operative societies?

A.—I think it will take some time to evaluate the actual advantages that have accrued from the co-operative societies. As to whether they will really make them economically better or not remains to be seen. It is now too soon to express a decided opinion; but I think they must get some advantage out of the co-operative societies.

The Chairman: You referred to the central bureau of information?

A.—Yes. Sometime ago there was a suggestion to make the co-operative societies at Bezwada and Rajahmundry bureaux of information. But the information they can possibly get will only be from Bezwada or Rajahmundry. They cannot get intelligence from other centres.

Q.—By means of correspondence they can have?

A.—Yes.

Q.—In addition to teaching work you think it is better to establish a bureau of information the object of it is to collect statistical information from a number of centres correlate it and tabulate. Is that the sort of thing you contemplate?

A.—Yes.

Q.—Do you think that it will be sufficient?

A.—No, because for instance the Rajahmundry institution will get information only from Rajahmundry.

Q.—No. The idea is to get information from several districts to be sent in every day. Will that be sufficient?

A.—What is wanted is not merely the information regarding the local produce but with regard to information from outside places, as, for instance, the price of cotton in Bombay.

Q.—The Bombay prices could be arranged to be sent. You like to have all this information got both from the markets and also the local prices in the bazaar.

A.—Yes.

Q.—Would you like to have the various prices in the chief market centres for one particular commodity in one bureau and then distribute it to all places?

A.—Yes.

Q.—You would like to have that done for each district?

A.—Yes. The figures must be tabulated and then sent to the district stations.

Q.—These district stations are only to be disseminating stations?

A.—Yes.

Q.—You do not want them to be collecting stations?

A.—No. For example, practically if we take the districts of Guntur, Kistna and Godavari, they are exporting and not importing districts, Guntur exporting in groundnut and cotton, Kistna in rice and Godavari also in paddy. Therefore, we want the prices at the outstations at the chief market centres where these are sold.

Q.—You said that money-lenders have lowered their rate of interest on account of the co-operative societies. Am I to understand that they are making less profit or they are realising more? Have you considered the matter?

A.—No, sir.

Q.—To look at it in another way. Do you think that the money-lenders in any way are realising their loans through the co-operative societies?

A.—Yes in a few cases.

Q.—Do they borrow from the co-operative societies and then lend?

A.—No.

Q.—Do you think that fragmentation is increasing?

A.—It is increasing but not acutely. It must increase under the Hindu Law because the tendency is to be individualistic and not to be joint.

Q.—But there are certain tendencies in the opposite direction. There is also consolidation going on. Do you think that fragmentation is increasing and that the reconsolidation is not going on faster?

A.—Yes.

Q.—You said there were no shandis in Godavari?

A.—I referred only to Guntur, Kistna and Nellore. In Godavari there is a shandi.

Mr. Thomas: Is there a tendency for the consolidation of holding by the money-lender or the usurious ryot buying up the smaller ryot's land? Are you not aware of such a tendency?

A.—No.

Q.—Surely land is being sold?

A.—Yes.

Q.—And purchased by the ryot who is richer?

A.—Yes.

Q.—That will certainly consolidate the lands?

A.—There will be consolidation only to a slight extent.

Q.—Is there not a tendency on the part of even the poorer ryots to buy up the land which is adjoining his plot, and at high prices?

A.—There is always that tendency.

Q.—But is it very prominent?

A.—No.

(The witness then withdrew.)

Thursday, 9th January 1930.

RAJAHMUNDRY.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

MR. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIAR, B.A.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. B. SITARAMA RAJU Gau, Barrister-at-Law,
President, Taluk Board, Vizagapatam.

* Oral evidence.

The Chairman : I gather you are also an inamdar?

A.—No. I am a jirayati pattadar.

Q.—You say that in the case of the inamdar the lion's share goes to the actual cultivator. Do you think the ryot in an inam is better off than the ryot in the zamindari?

A.—An inamdar is letting out his lands to the ryot. It is the duty of the inamdar to improve the land because the inamdar is naturally the owner of the land. But as a matter of fact it is the ryot who actually cultivates the land and the benefits of the cultivation would go to him excepting for the rent which would go to the inamdar. Therefore whenever an improvement has to be made the benefit would go to the actual cultivator. It was in that connexion that I said that the lion's share goes to the cultivator.

Q.—In the case of the zamindari ryot do you not think that the same applies?

A.—In the case of the zamindari ryot it would be the zamindari pattadar if he is actually cultivating the land or the under-tenant if the land has been sublet, who will be benefited.

Q.—Your suggestion is to the effect that the cultivator gets the benefit out of the improvement to the land and not the landholder. Then according to that it should be very much in the interests of the cultivator to improve his holding. Is it not so?

A.—It is so. But I am not saying that the landholder will not get any benefit. I am only saying that the lion's share will go to the actual cultivator.

Q.—When you say this what tenure are you contemplating? Is it the sharing system or the fixed money system? Would that apply to the sharing system?

A.—No. What happens in the sharing system is that they go in for half and half. In that case the benefit would be shared equally by both the tenant and the inamdar.

Q.—Even then you would not say that the ryot has got practically no return for any improvement he has made?

A.—He gets half.

Q.—Is it worth while on the part of the ryot then to make improvements to the land?

A.—It is of course better than not getting anything at all but it is not worth while to the extent it would be if he were to pay only money rents raised.

Q.—Is there in that part of the country much lending between the ryots?

A.—There is a little.

Q.—You say that ordinarily there are three sources from which the ryots obtain credit—the indigenous bankers and money-lenders, co-operative societies and the Government. But there is a good deal of lending from one ryot to another. Is there not?

A.—There is very little lending by the ryots, because our district is a very poor district, one of the poorest in the country, notwithstanding that we have got the biggest zamindars in our district and there is very little scope for these ryots to hoard lots of money.

Q.—Do you consider that failure of the monsoons is completely responsible for non-payment of revenue? Do you consider that the main reason for non-payment of revenue?

A.—That is one of the reasons but I do not consider that as the sole reason.

Q.—You do not think that it would be correct to say that the ryot's unwillingness to pay is responsible?

A.—No, I do not say that. They have got that sense of responsibility that they have to pay and they know that they have got to pay.

Q.—You say that the landholders do not borrow from co-operative societies and from Government because they do not give the freedom the borrower has if he borrowed from private persons to discharge his liabilities in the manner convenient to him. Why?

A.—Because if they were to borrow from a private money-lender then they can discharge the debt at any time they could discharge it in any shape and in payment of money whenever they possibly find it convenient. But in the case of Government loans and loans from co-operative societies, they have to pay fixed instalments at fixed periods.

Q.—Do you mean that both the Government and the co-operative societies expect payment in time?

A.—Yes. In the case of the co-operative societies they do not generally go for long-term loans but only for short-term loans.

Q.—Is it not a fact that the money-lender never worries about the manner in which the ryot uses the money borrowed? Is he interested in the manner in which the ryot uses the money?

A.—If he is a village sowcar or indigenous money-lender he will be interested in the application of the money because he has to see that the ryot has a good security to give and that the money is applied only to the improvement of the land for which he is taking the money.

Q.—In his own interest he sees that the ryot does not misuse the money borrowed?

A.—Yes.

Q.—Do you think it will be correct to say that the private money-lender is preferred because he does not worry the ryot as to payment on any particular date?

A.—No.

Q.—Is it not in the ryot's interest?

A.—It would be to his benefit.

Q.—Do you think it will be correct to say that a good deal of the indebtedness in the villages is due to the fact that the money-lender does not press but is quite willing to let it go on increasing?

A.—If the security is sufficient then he would allow the man to increase his debt so long as the security is sufficient to pay for it. Otherwise the money-lender would be pressing him from time to time for the payment of his loans. In the case of the poor agriculturists they would be asking for payment every month; particularly in the season when the crops are being removed he will ask them to pay at once.

Q.—In your note on the co-operative banks you enumerate a number, of reasons why these have not been of very great benefit. In the fifth item you say 'it is only the well-to-do agriculturists who can offer security that are benefited.' Is it your experience that they do not lend to the poor ryots?

A.—Unless he gets another man for surety, he cannot get a loan and no man will be coming forward to help him by being the second.

Q.—There is no difficulty in getting sureties, is there?

A.—The poor people will find a great deal of difficulty in finding sureties.

Q.—Is there not a kind of mutual arrangement which is commonly made among the members?

A.—But here there is always one disadvantage to the local people, because the secretary and the president know these people very intimately and they will not encourage and it is in their interest to see that such men are in no way supplied loans and when a poor man asks for a loan for petty agricultural operations, unless the secretary and the president who are really the local people are satisfied he will not get the loan.

Q.—Is that not right and proper? Unless you are satisfied with the repaying power of the man you ought not to give him the loan? Otherwise you will be landing him in bankruptcy?

A.—The man may be really in a position to repay the debt. It is a sort of a circle. If he is financed he will be able to repay the debt. But the secretary and the president being the most influential people will not allow him to be benefited, and the poor man who will be able to put his labour in the enterprise is not taken into account. His personal labour is not taken into consideration. In the case of rich people they can engage labour. But in the poor man's case he puts his own personal labour.

Q.—What is the object of such loans?

A.—In the case of the poor man unless he has got money he will not be able to take the full benefit out of his land.

Q.—Even if his holding is very small it must be good as security for the amount of the loan to be recovered. You suggest a loan for him to cultivate that small portion of his holding which is to be offered as security. Is that not so?

A.—It is not only the value of the particular man's holding that has to be taken into consideration. They must take into consideration that this poor man has also been putting his labour or his family's labour. That is not taken into consideration in considering the sanctioning of loans. Perhaps that should be done if they are asked to do so.

Q.—You say that 'the total amount of capital required for all the above purposes would be about Rs. 50 lakhs.' Would you mind telling us how you arrived at that figure?

A.—I have worked in this way. About Rs. 70,000 has been actually paid under the Government loans to our district last year and then about Rs. 500 has come to Vizagapatam taluk itself. Taking into consideration that Vizagapatam taluk is one of the poor taluks—it is the poorest among the poor taluks of this district, because it is a very dry taluk—if Rs. 500 is the amount that could be given under Government loans, then calculating that the want of it would be several times Rs. 500 which I personally know and also taking into consideration the fact that Rs. 25,00,000 has been taken by the co-operative societies for one year in that district, I have put the figure roughly at Rs. 50 lakhs.

Q.—With regard to takavi loans you suggest that the machinery is cumbersome and slow. Is it your experience that the ryot who applies for a loan receives the whole of it when it is sanctioned?

A.—I have described in detail the difficulties of getting a takavi loan sanctioned. First it has to go to the Tahsildar who has to recommend the loan, and he must first of all send a previous report. If the report is submitted, it will then get through the Divisional Officer to the Collector.

Q.—The point is when a loan is sanctioned does the ryot get the whole of it?

A.—Yes. If the loan is sanctioned he will certainly get the whole amount.

Q.—Vizāgapatam taluk is zamindari. Is it not?

A.—It is included in the Vizianagaram zamindari. If I may be permitted I shall say one thing more with regard to that. Though the land is zamindari, the Government loans are given to those ryots who have got occupancy right in the land for the purpose of sinking wells for watering the dry crops. Therefore the loan would be necessary for these people just as much as would be necessary for even a zamindari or a non-zamindari ryot because he has got permanent rights of tenure and therefore the loan would be as much need by him as a ryot in the Government land.

Q.—Are the Marwari money-lenders doing much business?

A.—Yes.

Q.—What sort of business do they have? Pawn-broking?

A.—Yes. Sometimes but very rarely they lend on mortgages of land. But they lend on joint security, and also on gold. In villages there are the village sowcars.

Q.—Is it your experience that the money-lending rates have been materially reduced in the last 10 or 15 years?

A.—Since the co-operative movement has taken root in this district it has got effect on the indigenous bankers, particularly the Vaisyas.

Q.—Why is that?

A.—Because first of all, the co-operative society is the people's bank. It is their own bank and every one of the influential villagers is a member.

Q.—I suggest it may be put in another way. The money-lenders have reduced their rate of interest either because of the competition of the co-operative banks which forces them to lower their rates of interest or in the alternative the co-operative banks are assisting them in the realization of their dues. Which do you think is the case, the former or the latter?

A.—In my district it is because the co-operative bank gives at cheaper rates of interest the rates of interest of the money-lenders have fallen down.

Q.—The other point that I wanted to ask you is, do the money-lenders encourage the co-operative movement in order that they may be enabled to have their moneys repaid thereby reducing the money-lender's losses due to bad debts?

A.—The money-lender is not at all encouraging the co-operative movement.

Q.—You do not think that the co-operative banks enable the money-lenders to recover their loans easily?

A.—They may ultimately enable them to recover their loans. But it is not with that view that the Marwaris have come forward to help the co-operative society. They can never sympathize with the co-operative movement as their interests are seriously opposed to the principle of the co-operative societies and therefore they would not take kindly to the spread of the co-operative movement, though ultimately they would stand to gain because the co-operative societies come to relieve the poor from their burden and ultimately they enable him to pay back the money-lender.

Q.—Might it be said that although they help the money-lender to get back his money, he cannot lend it out again?

A.—That is why he has reduced the rates of interest. But he has not yet learnt to lend it to the co-operative societies, because the co-operative societies would not give him as much interest as he would otherwise be able to get if he were to lend directly to the ryots.

Q.—Would he trust the co-operative society to the extent of lending money to it?

A.—No; as a matter of fact, he is one of the species of Vaisyas who speculate heavily and who does not sometimes care to see whether the persons to whom he lends moneys will pay him or not because he builds mostly on the hopes of the high interest sometimes. That is the reason why he has to balance bad debts with good debts and also a lot of litigation means a lot of expenditure. That is my experience. The more often a man goes to Court the more he spends in litigation and sometimes the poor ryot slips away quietly. Such poor men are going to Rangoon. That is why his rates of interest are heavy; just to save him from disaster in one quarter he gets more in another quarter.

Q.—You say that the 'use of the vernacular scripts will allow an increased use of cheques.' Do you think that there will be any difficulty about identifying the signatures? Banks have got to pay on their signature. Do you think any difficulty will arise in identifying the signature?

A.—I do not think there will be any difficulty. Soon they will learn to see the vernacular script also. After all, that is a signature and there could not be much difference. Only one thing I wish to add. The extended use of this cheque system is possible in a country which is economically advanced and there is a confirmed business interest in all the transactions. Unless these two are of a high level, it is not possible to have any extensive cheque system in a country like ours for some time to come. Therefore it is bound to be of very slow growth.

Mr. Hameed Sultan Maricair: What help do the tenants get in the matter of improvements?

A.—I have mentioned in my note that under the two Acts for sinking wells they get some help and also in the time of failure of monsoons and distress they get some help. For improvement of land and reclamation of waste also they get help.

Q.—Are they getting the help in time? That is, are the moneys paid promptly without any delay in the sanctioning of the loans?

A.—No. For I have described the various channels that have to be passed through and so it is dilatory and results always in loss of time.

Q.—What suggestion would you make to avoid this delay in the disbursement of the loan?

A.—My central idea throughout has been to say that the system of advancing by Government should go in favour of co-operative societies and also in favour of the specialization of banks, say, for long-term loans by the establishment of land mortgage banks, for industrial purposes by the establishment of industrial banks and for short-term loans by the establishment of co-operative societies. My object is that the co-operative societies should fit in the money machine of the country and I am not in favour of the Government continuing this thing by a separate effort at all because now there is nothing for the Government to function under these two Acts.

Mr. Gopala Menon: Do you think that the internal trade of these parts suffers for want of banking facilities?

A.—Yes, to a large extent it does.

Q.—What are the agencies that finance internal trade now? By agencies I mean banking institutions or money-lending institutions that render help to traders in these parts.

A.—I stated in my statement that the Imperial Bank is working purely on a commercial basis and it is only indirectly that it is financing trade because it advances loans only on personal security. The indigenous bankers finance most of the internal trade.

Q.—On the security of produce?

A.—On the security of produce, sometimes on the security of persons and on pro-note. The Imperial Bank finances also on produce in godowns.

Q.—Who finances the trader from the time the produce leaves the mundi up to the time it reaches the town? Do you not find that that sort of business is done by the Imperial Bank or the joint stock banks or is it entirely in the hands of the indigenous money-lenders of the locality?

A.—By the indigenous money-lenders, sowcars, and others. They sometimes do receive help from the Imperial Bank by way of advance to them on personal security.

Q.—I want to know whether those indigenous bankers are rendering any further help as soon as the produce reaches the urban area? In other words where does his liability stop?

A.—It stops with either the Imperial Bank or the town merchants.

Q.—Do you think there is sufficient link between the Indian merchant in the mundi, i.e., the rural area and the merchant or the bank in the urban area, between the indigenous banker and the Imperial Bank?

A.—There is.

Q.—Do you think the existing facilities enough or sufficiently advanced?

A.—It is not. It requires further development. The whole trade is not advanced to that extent. Of course the Imperial Bank gives some help to them but not in the way in which it ought to be done and that can be done only by a central land mortgage bank.

Q.—Is the function of a land mortgage bank to finance export trade or produce like that? A land mortgage bank is not for this purpose. It cannot do the work of a commercial bank?

A.—Yes, it cannot do that directly. That must be done entirely by commercial banks.

Q.—Do you find that the foreign export houses or the export houses in the Presidency towns going to the rural area and buying up the produce?

A.—They come to certain centres in the rural area to buy the produce and the local merchants act as a sort of intermediary between them and the producer.

Q.—In this internal trade do you experience any difficulty in the marketing of produce? Are there any facilities lacking for goods to be offered as security between the stages of harvesting and railing?

A.—There used to be warehouses in this district but owing to the pool system that has come into existence, we have no godowns now. If there were some godowns it would be very useful.

Q.—Do you think the institution of good warehouses would improve the facilities for merchants to offer goods as security between the stages of harvesting and railing?

A.—Yes, certainly.

Q.—Who are the proper agencies to be entrusted or who will be responsible for maintaining these warehouses? Have you any suggestions to make?

A.—I have suggested that co-operative societies may do this work.

Q.—Do you not think that they alone could not undertake this work as their hands are already full?

A.—I do not think so.

Q.—You have enumerated certain cottage industries such as carpet-making, weaving, etc. In the distribution of the raw materials and the collection of the finished produce from these cottage industries do you think there should be non-credit societies for helping these industries?

A.—My idea is that there should be an industrial bank to encourage these cottage industries by not only giving loans but also by employing specialists who could advise people not only to improve existing industries but also introduce new ones.

Q.—Have people got an aptitude for taking to these cottage industries in your locality?

A.—They have.

Q.—These are very small industries I believe?

A.—Yes.

Q.—Would it not be sufficient for these industries to get help under the State Aid to Industries Act?

A.—I do not think it is quite sufficient.

Q.—You want an industrial bank for that purpose?

A.—Yes. And considering the vast areas and the number of these industries it is necessary for that central bank to have district branches.

Q.—So your idea is that there should be a central bank for industrial finance in the provincial headquarters and that it should have district branches?

A.—Yes. The district branches could function under the supervision of the central institution.

Q.—An important difficulty to banks in advancing on goods I understand is the lack of standardization of the produce. What remedies have you got to suggest for grading the produce?

A.—In trying to improve the produce we have to keep in view certain things. Now crops like groundnut, cotton, jute, etc., are largely grown at the expense of foodstuffs which are quite necessary for the country. These crops are grown merely for external trade or for exportation to European markets and the ryots grow them because the exporting agents of these

produce advance money to the ryots on the distinct understanding that the ryot will grow a certain particular crop on his land. Advances insure the best variety. This is not in the best interests of the country. The ryot grows these crops because of the lack of adequate credit facilities for the raising of foodstuffs.

Q.—But the ryot raises groundnut, cotton or jute because he finds that there is a demand for it and he can easily realise money by selling it. How can you put a stop to it?

A.—It is true he finds a ready sale for it. But it is not in the economic interests of the country.

Q.—Do you not think that an important difficulty for banks in advancing on goods is the lack of standardization of commercial crops, or even food grains which the ryot brings to the market?

A.—You mean the practice of adulteration of good with bad that is at present going on?

Q.—Yes?

A.—By encouraging certain varieties.

Q.—Is it possible to organize market centres say in Cocanada, Masulipatam, etc. I understand large quantities of crops such as groundnuts, castor seeds, etc., are exported. Is it not also better to have these graded before export?

A.—Yes, it is. It is also possible to grade produce for smaller areas.

Mr. Muniswami Nayudu: You told us that except two taluks, the whole of Vizagapatam district is zamindari area. Has all the zamindari lands been surveyed?

A.—Mostly surveyed.

Q.—Is anybody entitled to get copies of the record of rights?

A.—They can get copies of it from the taluk office or if it is not available there they can get it from the zamindar's office where it exists.

Q.—Suppose a land is sold in the zamindari area. are transfers effected in favour of the person who purchased the land without much delay?

A.—We find that there is much delay.

Q.—Who is entrusted with this duty?

A.—The revenue official.

Q.—The zamindar is entitled to first charge on the income for his debt?

A.—Yes.

Q.—He very often obtains decrees against the tenant. Is it not?

A.—He has also got the other provision, section 112 of the Estates Land Act.

Q.—He often gets decrees?

A.—Yes.

Q.—He could bring the land to sale for arrears of rent?

A.—Yes.

Q.—Is there any public record available to the lender from where he can know which lands have been sold?

A.—I am not aware of any.

Q.—Land mortgage banks are to be shortly started or have been started. They will deal with individuals to whom loans are given on security of properties. This will have to be repaid in 15 or 20 yearly instalments. Supposing during those 15 or 20 years the person who mortgaged the land allows the rent to go into default and the property is sold, is there any method by which the land mortgage bank can know that the land is about to be sold?

A.—There is none. I suggest the safeguarding of the bank's interests. Every sale of land should be notified to the land mortgage bank.

Q.—What is your experience with regard to these land sales under the Estates Land Act? Do they fetch good prices?

A.—They fetch good prices. Under that Act only as much of land is sold or put in auction as is sufficient to cover the amount due.

Q.—Are you aware of cases where if the person who borrows takes it into his head to deceive or defraud the bank, he can easily get a sale of his land without anybody knowing it?

A.—Under the Act there are facilities to do it,

Q.—If a sale is to be set aside under the Act it is to be within 90 days. is it not?

A.—Yes.

Q.—One of the methods by which the sale could be set aside is by paying the amount due. Is it not?

A.—Yes.

Q.—Would you suggest any modification to secure the interests of the land mortgage bank so that its rights will not be affected in cases where sales take place?

A.—Postponement of the time.

Q.—What would be the period of time that you would suggest?

A.—At least there must be three months.

Q.—You make it 90 days?

A.—Yes, if there is a branch of the land mortgage bank at each district headquarters. If there is only one land mortgage bank at Madras, say a central land mortgage bank, even three months will not be sufficient.

Q.—Would you make the time to start from the date of sale or from the date when they come to know of it, these 90 days?

A.—It must be from the date of sale.

Q.—You will not suggest the period from the time the bank knows of such sale?

A.—I will not suggest it.

Q.—What I say is do you expect an ordinary land mortgage bank to know of all the sales being effected in a large area like a taluk or district within three months from the date of actual sale?

A.—If there is a local branch I believe the local branch will be able to know. Then also it should be made compulsory that all sales of land or notice of sale of land should be given to the land mortgage bank. Otherwise there may be some difficulty of knowing.

Q.—Without any of these guarantees of the bank coming to know of sales, do you think land mortgage banks will have good scope for its operations in the zamindari areas?

A.—Without these safeguards it will not have.

Q.—You told us that the private money-lender and the co-operative societies are the two main agencies in the villages who are financing the agriculturists. Now so far as the village money-lenders are concerned to which class do they belong? Are they themselves ryots, influential ryots of the village?

A.—Generally the village sowcars are Vaisyas.

Q.—Are there cultivating ryots also taking to money-lending?

A.—I said in my note that recently people who are ryots and who have grown rich are taking to this profession also.

Q.—Have you got outsiders like Marwaris and Multanis coming there to lend money to agriculturists?

A.—Not in our district. It is only to towns that they are coming, and not to villages.

Q.—So far as these money-lenders are concerned what are their rates of interest generally?

A.—15 to 24 per cent I said.

Q.—I believe that in cases where there is good security, either personal credit or good property, the rates of interest are much lower?

A.—The rate of interest depends upon the amount borrowed generally and not on the security it being always understood that the security offered is more or less fair.

Q.—Do you think as the matter now stands, apart from the interest being high or low, that private money-lenders in the villages are hard and obnoxious to the ryots?

A.—I think they are hard and not fulfilling a legitimate part in the village.

Q.—Do you mean to say that not only their rates of interest are high but that their terms are also exacting?

A.—Yes. They are not interested in the prosperity of the ryot or the economic advancement of the village as a whole. They are not manufacturing credit, either.

Q.—With regard to recovery of loans do you think the money-lender more obnoxious than the co-operative society?

A.—I do not think. Both strictly enforce their payments.

Q.—I think you made us understand that the sowcar is more accommodating with regard to the amount of the loan, the period of the loan and the return of the loan.

A.—Yes, provided the security stands still good.

Q.—So you consider that so far as the short-term loan is concerned, the money-lender is a necessary element in the economy of agricultural finance?

A.—I do not go to that extent. I do not say he is necessary. I say that the indigenous sowcar's short-term business need not function. The indigenous banker could lend it to the co-operative society and thus benefit the community.

Q.—You say on page 46 "By the time the co-operative societies are opened, the agriculturists have been already indebted to the sowcars and the extent of the liabilities with the sowcar are such that unless they are in a position to clear their accounts with the sowcar they cannot leave him. Therefore all indebted persons are deprived of this benefit." Are you acquainted with the working of any co-operative society directly?

A.—I am not in any society. That which you just quoted is my impression.

Q.—Do you contemplate that a co-operative society should give loan to the ryot for all that he requires?

A.—I mean that they are intended just to give as much advance to the ryot to clear his prior debts and replace it by a debt at a low rate of interest repayable in instalments spread over a number of years.

Q.—Have you got any specific cases which came to your knowledge of money-lenders actually becoming members of co-operative societies and helping co-operative societies?

A.—I have not come across any.

Q.—Are you aware at least of certain money-lenders being antagonistic to the starting of co-operative societies?

A.—I have heard about it.

Q.—What facilities villagers have for saving and laying out amounts they have to spare?

A.—At present they have not got much facilities? This thing I will say, there is no fabulous hoarded wealth with them as is generally supposed. They have only little savings here and there and that is generally invested in gold ornaments which adorn the bodies of their wives and children. That is their savings bank.

Q.—Have you any suggestions to make with regard to creating facilities for villages to save money and earn interest on their savings?

A.—I have suggested the opening of post office savings banks in every influential village and also encourage them to put their moneys in co-operative societies.

Mr. Muthiah Chettiyar: You say 50 lakhs of rupees would be required for your district. Does it include zamindari areas also?

A.—Yes, zamindari areas also.

Q.—You were saying about the pool system? Are there godowns in these places?

A.—There are no godowns, but only temporary sheds.

Q.—Are the produce graded?

A.—Not graded.

Q.—Does any auction take place?

A.—No auction takes place, it is only bargaining.

Q.—Do you think they are good marketing centres?

A.—Yes.

Q.—Do the ryots get good prices?

A.—Tolerably good. But the current market rates are not known to the ryot whilst the agent who comes to buy the produce knows it.

Q.—Would you suggest the formation of an information bureau?

A.—That would be very advantageous.

Q.—Co-operative societies do not enter into trade. Is it not?

A.—Yes, but trade may possibly be extended if the societies are permitted to do so.

Q.—You say about instruments of ownership, that “Letters from merchants and railway receipts for goods are usually employed for raising money during the process of marketing.” Are these letters from district head-quarter merchants, or from merchants of other provinces or from other countries?

A.—Only letters from merchants of my own district.

Q.—You say as regards foreclosure that it should not be applied as people will be afraid of borrowing from money-lenders. Do you not think if such a provision is introduced the money-lender would feel confident to lend? Do you not think if such facility is given to the money-lender that he will lend more freely?

A.—It certainly will give him that scope, but he may put a very strict and strong use of that privilege which may result in harm to the ryot.

Q.—You want land mortgage banks to lend at 6½ to 9 per cent and you say that the Government could lend these banks at 5 to 6 per cent. Is that margin enough?

A.—That is the best I could suggest.

Q.—You say the indigenous bankers charge from 12 to 24 per cent interest. What is the highest rate of interest for loans say from Rs. 2 to Rs. 3 thousand and for loans of less than one thousand?

A.—In the case of loans of less than Rs. 1,000 the interest is 15 to 20 per cent. But for Rs. 3,000 or Rs. 4,000 it will be 12 per cent.

Q.—You say the present debts of agriculturists are largely due to money-lenders and merchants. Is it possible to arrange to repay these debts by advances from the co-operative societies?

A.—It will be possible, but it will take time.

Q.—Where will you get all this money?

A.—I am thinking of the surplus money available in banks, and also of loans from land mortgage banks.

Q.—Where will the land mortgage banks get their capital from?

A.—From the capitalists of the country.

Q.—Would they invest in the land mortgage banks for the low rates?

A.—I think they would.

Q.—Do you know that money-lenders have got other places besides British India where they can go and get a better return?

A.—A few big money-lenders can go outside India and invest their money. But the petty sowcar cannot go.

Q.—Does the money-lender come across much difficulty in the recovery of his debts?

A.—He does sometimes come across some trouble in realization. He speculates heavily in giving loans and he does not always take the sure way of getting it. He is sometimes more concerned with the high rate of interest than the security offered.

Q.—Landholders lend to ryots at interest to be paid in kind and does this method work out to a higher rate of interest?

A.—It will not work out to as much a rate as the ryot measuring his grain to the village sowcar.

Q.—Does the town sowcar lend on land?

A.—He does that also besides other business.

Q.—Does the town sowcar lend to the village sowcar?

A.—It is only sometimes and that is only a temporary accommodation.

Q.—Are the indigenous bankers afraid of the income-tax officers?

A.—Yes. They think if they show all their books they will be assessed to a higher rate of income-tax.

Q.—Is there a feeling that the income-tax officers do not take kindly to these indigenous bankers?

A.—There is such a feeling.

Q.—Do income-tax officers now assess on the accrued basis or on the cash basis?

A.—At the present moment they assess on the cash basis, and give an opportunity to the assessee to prove why he should not be taxed for a certain amount of income.

Q.—Is there a feeling that assessments are made without attention being paid to examination of regular accounts?

A.—I have seen so many bringing their books to the income-tax officers. I do not think the accrued basis exists.

Mr. Thomas: Do you cultivate your own land?

A.—We keep some of our land on 'Seri' cultivation that is for our own consumption of food.

Q.—What is the acreage of 'Seri' land or home-farm that you cultivate?

A.—About 20 acres, but sometimes more. It depends on the need we have for domestic expenses.

Q.—You keep this home-farm chiefly for food-grains? You do not make a commercial proposition of the same?

A.—No.

Q.—Is it not possible that if you keep a larger holding than you keep now you can get a better outturn from your investment and make it commercial? You have never thought of having a larger farm and making it commercially paying?

A.—I have not thought of it.

Q.—I think you told us that it would be a disaster if people take to commercial crops instead of raising food crops. On what grounds do you say that?

A.—We have experience of late of all available land being cultivated with groundnut, jute, or cotton. In our district we have at present a feeling that we have to depend for our food on Rangoon or some other place.

Q.—Is there not ample food-grains grown in the Godavari and Kistna districts?

A.—Not sufficient to feed the whole population.

Q.—If India is taken as a whole, is there any need to fear about scarcity of foodstuffs?

A.—We are now depending on Rangoon for rice.

Q.—But Rangoon is a part of the Indian Empire? After all, what should be the national policy in regard to agriculture? Should it be the raising of food crops alone or raising also other crops that would fetch high prices?

A.—But we have to look to the interests of the country.

Q.—What is the interest of the country? If it is to get more wealthy, we must grow more of money crops and thereby turn over labour to the best account?

A.—I would rather consider that foodstuffs should be our first consideration.

The Chairman: Would you rather export rice or groundnuts?

A.—After having a complete supply of foodstuffs for the whole of our population, we can then export the surplus. Our chief consideration should be the cultivation of foodstuffs.

Mr. Thomas: You are, then, for going back to the old system of self-sufficient farming, the peasant producing whatever he wants and consuming whatever he produces?

A.—Yes, to some extent.

Q.—What in your opinion is an economic holding in your district? I mean the extent of land needed to support a family of 5 or 6 people?

A.—They must have at least two acres. I am speaking only of ordinary labourers. If it is a regular householder then they require at least ten acres of dry and two acres of wet land. Unless a man has got ten acres of dry land and two acres of wet land it is not comfortable living for him.

Q.—What are the causes of indebtedness in the district? For what purposes are loans raised?

A.—Generally failure of crops due to monsoon and bad farming.

Q.—The former is only an abnormal condition. What are the normal causes?

A.—In the dry districts failure of monsoon, want of sufficient water has been almost periodical. Except the last three or four years during the last 12 years we had every year experienced want of water.

Q.—What are the other purposes for which loans are raised?

A.—Bad farming and improvident way of living.

Q.—What about marriages and other ceremonies?

A.—The agriculturist class do not spend much on marriages.

Q.—What about jewellery?

A.—They do not go in for much of expenditure on jewellery also.

Q.—What about buying land? Do not people resort to loans for purchasing land?

A.—That is also one of the causes of indebtedness. Generally people purchase land for increasing their holding, but as I mentioned already the main causes are failure of crops and bad cultivation.

Q.—To what extent do lands pass hands by indebtedness?

A.—I cannot say.

Q.—Is it prevalent?

A.—Yes, there are cases.

Q.—In such cases, who purchases the land?

A.—Generally the money-lender gets it, but when the money-lender finds that he has got too much of land he sells it away.

Q.—Does the debtor realize a decent price?

A.—They generally get fairly good prices.

Q.—Have you any knowledge of Agency tracts?

A.—I have gone there.

Q.—Who are the money-lenders in the Agency tracts?

A.—There are no money-lenders except local sowcars who advance loans to the Agency people for Agency produce.

Q.—What is the pool system you were advocating in your note? You have spoken about pooling of jaggery?

A.—The producers will be asked to come to a certain place where the buyers also assemble and the produce is sold to those merchants who have come to purchase.

Q.—Who takes the initiative in the matter?

A.—Each local sowcar asks the producer to pay him in kind for advances made and these are asked to be brought to a certain place, i.e., the place of the pool.

Q.—How about sharing the price realized? Different people may be supplying different grades of goods?

A.—Generally much difference is not noticed for instance all jaggery is of the same variety more or less.

Q.—You speak of a rural economy organization. What is your experience of that? What have you done in your taluk?

A.—We have only framed the scheme and await sanction of the Government.

Q.—How are you going to find finances for the scheme?

A.—We divide the taluk into eight centres and in each we have one teacher and one representative of the village represented in that school, the rural economy school. Added to that we will have a health inspector for health propaganda. One member will be attached to each of the centres who will look to the encouragement of local industries also. The members can borrow from the co-operative society and the person in the rural economy school gives security. It is only such people who will be brought into the society.

Q.—What is the interest of that person in the industry? Will he get a share of the profits?

A.—The details of the scheme as I said before has not been worked out. We have asked for sanction and have not got it.

(The witness then withdrew.)

Thursday, 9th January 1930.

RAJAHMUNDRY.

PRESENT :

- Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Mr. M. A. MUTHIAH CHETTIYAR, B.A.
 Diwad Bahadur B. MUNISWAMI NATUDU, B.A., B.L., M.L.C.
 Khan Bahadur V. HAMEED SULTAN MAJICAIR SAHIB Bahadur.

M.R. Ry. K. V. S. RAMACHANDRA RAO Garu, Zamindar,
 Rajahmundry.

Oral evidence.

Mr. Thomas : In what part of the district have you got land?

A.—West Godavari.

Q.—Is it all dry land or wet land?

A.—Mostly dry land.

Q.—Have all the lands been let to pattadars?

A.—Ryots have occupancy rights.

Q.—Has any survey been carried out?

A.—Inam lands have been surveyed, not jirayati.

Q.—On what security does the ryot borrow money?

A.—After the Estates Land Act came into force we take takavi loans and then distribute it among the ryots and ask them to cultivate the land. During the last two or three years co-operative societies also have been lending money to the ryots.

Q.—In what way have you given them facilities for forming co-operative societies?

A.—I am the vice-president of the co-operative district bank, but as my residence is here I am not able to help them directly.

Q.—Who is responsible for improving the land? Ryots?

A.—Before the Estates Land Act I dug about 50 wells but after the Estates Land Act they themselves are doing it. They are also experimenting with boring operations for wells. I was the first in starting digging wells and mango and Bataria plantation in waste dry lands at Nidigatla, Rajahmundry taluk. Now so many people have followed my example. What was some 20 years ago dry waste lands, worth almost nothing in Nidigatla and neighbouring villages is bringing an income of one lakh of rupees by the sale of mangoes only.

Q.—Are your rents fixed money rents or do you share the produce?

A.—Fixed money rents.

Q.—In your opinion how much of land is necessary to maintain a family of say 6 people?

A.—Eight acres of dry lands.

Q.—If it is wet land how many acres?

A.—Nearly 4 acres of wet land will be enough.

Q.—Generally what is the average holding of a tenant? Is it smaller or bigger than this figure?

A.—After the Estates Land Act lands have become divided and they sometimes have one acre, or even half an acre. They have begun to mortgage their land and sometimes to sell also.

Mr. Muthiah Chettiyar: Do you do money-lending business?

A.—Yes.

Q.—In this district or in West Godavari?

A.—On mortgages of land in this district as also in West Godavari.

Q.—For what periods do you lend on mortgages of land?

A.—We are no doubt allowing them to pay in instalments and are somewhat lenient with regard to repayments, but there is great difficulty in the recovery of instalments.

Q.—What is the rate on mortgage loans?

A.—From 12 annas 6 pies to Rs. 1-14-0 per month per Rs. 100.

Q.—Do you give clean loans on promissory-notes?

A.—I give up to Rs. 5,000 on promissory-notes if the party has sufficient credit.

Q.—If he is a good party what is the rate of interest?

A.—Not less than Re. 1-0-6.

Q.—Do those who have taken on pro-notes return at the time of the harvest?

A.—Between two to three years the moneys lent on pro-notes are being realized but not without going to the court.

Q.—How long does the realization of the money take from the time of the filing of the suit till the money is actually received?

A.—On an average in the case of suits in the small cause courts the money is obtained within an year or two from the filing of the suit, and in the case of other suits it takes three, four and even five years sometimes and in a few cases it may not be possible to say even after the lapse of five years.

Q.—What interest does the court allow after the decree is passed?

A.—Six per cent.

Q.—You say the lender's rate is Re. 1-0-6 per month per hundred and that the court after decree allows only 6 per cent. Then what will be the net yield on the capital?

A.—It is not in all cases that you have to go to court to realize the debts.

Q.—What interest, on an average, will you be able to realize on the capital invested?

A.—About 6 annas per hundred per month.

Q.—What about suits with regard to mortgages? Have you to institute a number of cases in regard to the mortgage loans?

A.—Mortgages are invariably to be sued upon. You can even renew mortgages but you have always to go to the court.

Q.—You are a money-lender and also a zamindar. Are there other zamindars who lend money?

A.—The zamindars do not ordinarily lend to the ryots. Before the Estates Land Act, they were giving takavi loans to the ryots.

Q.—Do you lend to merchants in towns?

A.—We borrow from Marwaris and the banks for mercantile business but we do not lend to the merchants.

Q.—Are the Marwaris and the money-lenders eventually forced to take over the lands? And do they retain or are they anxious to sell those lands?

A.—The Marwaris do not lend on mortgages. They generally lend on jewels.

Q.—What about the Vaisya merchants?

A.—The Vaisya merchants do not lend on mortgages.

Q.—Who are the other money-lenders except the persons like the zamindars who lend on mortgages?

A.—Big ryots and zamindars give on mortgages. The Kapus and Kammas and all the big ryots lend on mortgages.

Q.—What are the rates of interest that the Vaisyas allow if they take deposits?

A.—Before the Arbuthnot crash some deposits were received. But now no deposits are received, especially after the advent of the co-operative bank. Some officials might deposit with them. But even they are also depositing in co-operative banks at half-rupee interest in savings banks. Big merchants used to deposit. But even that has now ceased.

Mr. Thomas: What percentage of these loans lead to sale of lands?

A.—In the case of mortgage loans, ordinarily the lands are brought to sale unless the debtor is able to get a loan from another man.

Q.—Is it the same in most cases?

A.—In 90 per cent of cases, it ends in the sale of the lands.

Q.—In regard to the non-mortgage loans?

A.—They end in insolvency.

Mr. Muthiah Chettiyar: Do people resort to insolvency courts?

A.—When there is no money and nobody to give loans they naturally go to the insolvency court.

Q.—Do they take to it as a means of gaining money?

A.—Not much.

Q.—Do they bestow on their wife and children valuable ornaments before they resort to the insolvency court? Is there that habit?

A.—The time has not yet come in Rajahmundry for the people to take to such a habit.

(The witness then withdrew.)

Friday, 10th January 1930.

RAJAHMUNDRY.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICATE SAHIB Bahadur.

M.R.Ry. SRIKAKOLAPU VENKATA RAO Garu, Merchant,
Cocanada.

Oral evidence.

The Chairman : Are you an agent of one of the Marwari firms?

A.—I am not an agent of any of the firms.

Q.—What business are you carrying on?

A.—I am importing and doing some general trade.

Q.—What do you import?

A.—Stationery articles.

Q.—Wherefrom do you get them? From England?

A.—From England and Germany.

Q.—Do you import for your own trade?

A.—Yes.

Q.—What becomes of the stuff when it is imported?

A.—We sell it here.

Q.—Locally?

A.—Yes.

Q.—How do you pay for it?

A.—They draw on 60 days' sight with documents.

Q.—They draw bills on you?

A.—Yes.

Q.—Are those bills discounted through the exchange banks?

A.—Yes, some go to the National Bank and some to the Imperial Bank.

Q.—Do you import through Cocanada port?

A.—Yes. They will be landed at Cocanada and then I will take them after paying the landing charges and the duty.

Q.—Do you take delivery and pay all these charges?

A.—Yes.

Q.—Whom do you pay to?

A.—To the banks. We will then take the documents to the landing agents. They will take the landing charges and issue delivery orders to the articles. We will then go to the Customs to take the delivery.

Q.—And then you take it to your godown?

A.—Yes.

Q.—Then what happens?

A.—Then we sell to the retail dealers and the wholesale dealers

Q.—On what terms do you sell?

A.—On 10 to 15 days' credit.

Q.—Do you sell locally only?

A.—We sell not only in Cocanada but we sell in Rajahmundry also.

Q.—Generally you sell on 10 days' credit?

A.—On not more than 15 days' credit.

Q.—I take it that credit is purely personal?

A.—Yes, the credit is personal.

Q.—Do you take any documents?

A.—No.

Q.—So far as your business is concerned, do you finance it entirely by means of your own capital?

A.—Yes. But when occasions arise I have recourse to loans in small amounts.

Q.—Is that on your personal security or on bills?

A.—Only on demand promissory notes.

Q.—Who finances the trade of that sort? Is that done by the banks?

A.—By the local money-lenders.

Q.—Who are they? Marwaris?

A.—All local people. Largely Vaisyas.

Q.—Telugu Vaisyas?

A.—Yes.

Q.—And not the Marwaris?

A.—No. In Cocanada all the Marwari firms are closed except only those who take to lending on pledge of articles. They will not finance for commerce. They only advance to the ryots on the pledge of gold articles. Hitherto there were about six or eight Marwari firms in Cocanada who lent money on commerce without any security or any other thing.

Q.—Who are they?

A.—Jain Marwaris.

Q.—Do they lend on other things besides gold? Do they lend on cook pots?

A.—Yes, they lend on the pledge of everything.

Q.—Do they lend at a low rate of interest?

A.—In writing they say that if it is to be paid within three months the rate is 12 annas per hundred for a month and that if the debtor fails to repay within three months then the rate of interest will be Rs. 1-14-0. Who will pay on the 90th day exactly? They mention only the Telugu date and almost all will not remember it and any one who goes to repay even a day or two after the due date will have to pay only at the rate of Rs. 1-14-0. Out of a hundred not even five can escape this rate.

Mr. Hameed Sultan Maricair: Do you find any difficulty in realizing your money from the merchants?

A.—For my part I do not find any difficulty.

Q.—You have just stated that you give the samans and get money within ten to fifteen days. To whom do you give?

A.—I will give only to some respectable men having credit.

Q.—You say that the Marwaris after 90 days charge a high rate of interest. In case the article pledged is not taken within 90 days will they auction it?

A.—They will keep it until all the cost is exhausted. Then they will send a notice to the party.

Q.—When is that done?

A.—When the amount including the interest accumulates to the value of the article pledged.

Mr. Gopala Menon: You are a general import merchant of sundry articles of stationery. What particular things do you import?

A.—I can call that generally sundry articles.

Q.—That is stationery such as pencil, pen-knife, paper and things like that. Is that the practice?

A.—Yes.

Q.—You are doing this business on your own account?

A.—Yes.

- Q.—You prepare the indent and send it to your London agent?
 A.—Yes.
- Q.—Have you got a particular form in which your indent is drawn up?
 A.—Yes.
- Q.—Is it your own form or the forms sent by the London export agent?
 That is, they send out to you their own forms in which you make up your order and send it for execution. Is that the process?
 A.—Yes.
- Q.—What are the terms mentioned in the indent?
 A.—C.f.i. and c.i.
- Q.—Is that for all things?
 A.—There may on occasions only little quantities that are sent at first cost.
- Q.—That is f.o.b. rates?
 A.—No.
- Q.—So they quote you for the goods both on c.f.i. and c.i. terms and on which you have no other charges to incur except the clearing charge?
 A.—The clearing charge and the duty has to be paid.
- Q.—What will it be in the case of first cost?
 A.—They will charge for everything, packing, carrying, freight, insurance, commission, exchange.
- Q.—What is the value of an indent in the case of c.f.i. that you send to your London agent at a time?
 A.—It will not be more than £200 at any time.
- Q.—That refers to c.f.i. and c.i. indents?
 A.—Yes.
- Q.—In the case of first cost?
 A.—That will depend upon the value of the business.
- Q.—You have always found the prices reasonable. Is it not?
 A.—Yes. They will be intimating the prices of the various articles and if anything suits our market we will indent.
- Q.—What I am driving at is this. There are certain articles on which the London firms are unable to quote c.f.i. and c.i. terms such as the minor articles—pens, pencils and penknives. Is it not?
 A.—If it is a large indent even for these articles, they can get on those terms. But if the indent is small they cannot since it is very difficult to calculate the freight.
- Q.—Then you wait till you can order for a number of articles and then send your indent?
 A.—Yes.
- Q.—You say they draw on you 60 days' sight drafts. Are there documents against acceptance or against payment?
 A.—Some may be against acceptance and some against payment only. In very rare cases they will deliver the articles on acceptance.
- Q.—In such cases is there a limit fixed by you or by the London agent, in other words, you can do business with them only up to a certain limit?
 A.—No.
- Q.—When you get the advice of shipment on the day you receive the invoice, the bank through which the documents are negotiated will present them to you for acceptance. Is it not?
 A.—Yes.
- Q.—In the case of D.P. drafts what do you do?
 A.—We remit the amount through drafts or currency notes to Madras and retire the drafts.
- Q.—In the case of D.A. do they send the draft and the shipping documents at the same time?
 A.—The documents will be there and with the drafts they will send the receipt—'Received documents . . .'

Q.—When driven to the necessity, at any time have you asked these banks to clear and stock in their godowns and afterwards remitted money from here?

A.—No, I have never asked them. But they will do so if they are given one-fourth margin.

Q.—That is through the exchange bank. Is it not? So they have always been accommodating you in case of necessity to the extent of giving you credit up to 70 or 75 per cent of the value of the invoices and if you remit 20 per cent of the value of the invoices they will clear and store the goods in their godowns. Is it not?

A.—It has not happened in my case. But they will do so.

Q.—Have you ascertained from them?

A.—Yes.

Q.—So you are sure that in such business the exchange banks are accommodating the Indian merchant here?

A.—Yes.

Q.—Are there many merchants who are importing goods of this kind in Cocanada?

A.—There are only four or five.

Q.—Are there any European firms in Cocanada receiving indents of this kind and passing on to their head office in London for the purpose of helping the dealers?

A.—There are.

Q.—On what terms do they give the goods to the dealer?

A.—They take the indents from us, land the goods and store in their godowns. They charge 9 per cent towards interest and godown rent.

Q.—Is the interest of 9 per cent charged only after the expiry of the due date?

A.—After 30 days after the arrival of the steamer.

Q.—Is that in the case of 30 days' sight draft?

A.—No. They will take the indent from us and get the goods from the steamer. From the date of the landing of the goods they will not charge interest up to 30 days. But if it is not cleared in that period they charge for interest and godown rent at 9 per cent.

Q.—Are the dealers allowed to take in small lots?

A.—Yes, in one or more lots.

Q.—So, do you find that the European as well as the Indian merchants dealing similarly helping these small merchants in the way of accommodation of that kind?

A.—Yes.

Q.—Then you say that these goods are sold to the small merchants or to your customers. To whom do you sell? To the small merchant in Cocanada town or in the interior parts of Cocanada and also to private individuals?

A.—We sell only to the dealers.

Q.—So you are more or less an indent commission agent on your own account?

A.—I am not an indent commission agent.

Q.—Are you not doing it on your own account?

A.—Yes.

Q.—Do you find other merchants there who are doing this sort of indent commission business?

A.—There are some European firms.

Q.—Are there any Indian commission agents in Cocanada?

A.—No, not in Cocanada. There are such firms in Madras.

Q.—You said that you are selling these goods on 15 days' credit to the small merchants. But have they paid your invoices exactly on the due date or have you had to give them extensions?

A.—If an extension is asked for four or five days we may not care and grant them the extension. But we charge them interest.

Q.—At what rate?

A.—12 per cent.

Q.—Have you at any time had difficulty in realizing the money and hence had you to go to the banks for financial aid?

A.—No. I had never any difficulty in realizing my outstandings.

Q.—You said that you were doing business with your own capital and also occasionally with money borrowed from local money-lenders. What is the rate of interest that you have to pay?

A.—From 9 to 11 per cent.

Q.—But are there not banks in Cocanada?

A.—There are banks.

Q.—Have you ever tried to obtain accommodation from them?

A.—No.

Q.—If you had tried do you not think that you would have got accommodation at a much lower rate of interest?

A.—Though the rate of interest may be low, it is difficult to secure another man to stand as surety and I never tried it.

Q.—Is it due to the difficulty of finding a joint surety?

A.—If I go to another man to accommodate me then I will have in turn to stand as surety for another man. That I do not like.

Mr. Muthiah Chettiar: You were just saying that in the case of Marwaris if the amounts are not paid within 90 days they charge interest at Rs. 1-14-0 per hundred per month. For what amounts?

A.—It is the same for all amounts, from Rs. 5 to Rs. 1,000 even.

Q.—Do they lend large sums of money?

A.—Yes.

Q.—To individuals?

A.—Yes.

Q.—Up to what amount?

A.—Up to Rs. 3,000.

Q.—Do they lend on house property?

A.—No.

Q.—In your business do you get D.A. terms?

A.—Sometimes.

Q.—For how many days?

A.—60 days.

Q.—Do they allow you large credit?

A.—Not much. They allow only about £200 or so.

Q.—Are there many import merchants in Cocanada who get D.A. terms very freely?

A.—It is very rare that we get that.

Q.—Are there any banks that lend money to merchants?

A.—Yes, there are.

Q.—Which are they?

A.—The Imperial Bank and the newly opened Andhra Bank.

Q.—What is the rate charged by the Imperial Bank on joint promissory notes?

A.—It does not exceed 9 per cent.

Q.—On the security of goods what is the rate?

A.—8 per cent.

Q.—Does the Imperial Bank lend money on gold?

A.—Yes. They will lend any amount the minimum being Rs. 200.

Q.—Does the Andhra Bank lend money on gold?

A.—It is only two months since it was opened, and I do not know.

Q.—Are there any other banks besides these two?

A.—No.

Q.—What is the rate of interest in the Andhra Bank?

A.—As I said it is only two months since it has been opened and it is doing current account business and some fixed deposits. I think they too lend at 9 per cent.

Q.—You were saying that the Vaisyas lend to you at 9 per cent?

A.—From 9 to 11 per cent.

Q.—If the sum lent is large, is the rate low?

A.—It varies according to the stability of the borrower.

Q.—What will be the general rate charged by a Vaisya on loans of Rs. 1,000 and Rs. 500?

A.—It all depends upon the stability of the borrower. The rate will not vary according to the amount.

Q.—Do the Vaisyas keep regular accounts?

A.—Yes.

Q.—Do they keep day books and ledgers?

A.—Yes. In fact they have to produce them before the income-tax officers.

Q.—Do they show these books to income-tax officers?

A.—Yes.

Q.—How are they assessed to income-tax? What is your opinion about assessments? Do they take the income as they have been realized or do they put rough estimates?

A.—No, they take the actual figures.

Q.—As received?

A.—Yes.

Q.—Supposing you are a money-lender and you have lent Rs. 50,000 to a person and have not realized the interest due on it. In assessing to income-tax do the authorities take this interest into account?

A.—No.

Q.—Is it taken into account only if realized?

A.—Yes.

Q.—How many Vaisya money-lenders are there in Cocanada?

A.—About 10 or so.

Q.—What will be the total volume of business of all of them put together?

A.—It may come to a crore of rupees.

Mr. Thomas: Mr. Venkata Rao, where do you invest your savings? Every year you must be making some profits?

A.—I will use that in increasing my business.

Q.—When half your money comes in, do you merely keep it in your safe?

A.—I do not invest it anywhere.

Q.—You do not deposit it in a bank?

A.—No.

Q.—Then where do you keep your money?

A.—In my own safe.

Q.—Are you not losing interest thereby?

A.—I have to meet my own demands and if I put it as fixed deposits I may not be able to get it at the time I want it urgently.

Q.—Do you not know that the joint-stock banks take deposit on current account and will give you a small interest?

A.—The Imperial Bank, I think, does not give any interest. The co-operative bank gives about 2 per cent interest.

Q.—Is it not worth while to put your money in the bank and thereby help trade?

A.—Recently I have opened a current account in the Andhra Bank.

Q.—Do you therefore deposit your money in the Andhra Bank?

A.—Only recently I opened an account there.

Q.—But do you find any difficulty in regard to that?

A.—I do not find any difficulty and there is no stamped cheque that has to be used.

Q.—Do you use cheques?

A.—Yes.

Q.—When making payments to your creditors do you use cheques?

A.—No. I have to remit only to Madras.

- Q.—How do you make your remittances?
 A.—I purchase demand drafts from shippers and send them to the National Bank.
- Q.—So what opportunities have you for using cheques? Do you use cheques at all?
 A.—If I owe anything to the local people I issue cheques.
- Q.—When did you begin that practice?
 A.—Only three months back.
- Q.—Is there a co-operative bank in Cocanada?
 A.—Yes.
- Q.—You have no deposits there?
 A.—No.
- Q.—Why do you not keep your deposits with the co-operative bank?
 A.—I once opened an account there but I had some difficulties and so I discontinued.
- Q.—What difficulty?
 A.—It was on account of the incapacity of the secretary. Nothing more than that.
- Q.—There was no difficulty on account of the rules?
 A.—Nothing on account of the rules.
- Q.—So you are not keeping much money in your own safe now but put it in the Andhra Bank?
 A.—Yes.
- Q.—What about the people like you?
 A.—Most of them have current account in the Imperial Bank.
- Q.—Are there many who keep their money in their safes?
 A.—Some will keep their money in their safes and some will keep it in the banks.
- Q.—Is there no fear of the money so kept in the house being lost?
 A.—There is no fear.
- Q.—Why do you not go to Marwaris when you are in need of money?
 A.—There are no Marwaris now who lend on personal security. They want pledge of ornaments or other things.
- Q.—But do not the Vaisyas give on personal security?
 A.—Yes.
- Q.—What interest do the Marwaris charge?
 A.—They will never lend except on pledge of jewels. Now they say they charge $7\frac{1}{2}$ per cent but the rate in the case of default is Rs. 1-14-0 per month or 21 per cent or so.
- Q.—Do shop-keepers like you borrow from the Vaisya money-lenders?
 A.—Yes.
- Q.—What classes of people go to the Marwaris?
 A.—The agriculturists, shroff merchants who deal in gold and silver.
- Q.—What are the chief industries you have in Cocanada?
 A.—There is only the oil industry.
- Q.—What classes of people are interested in it?
 A.—Most of the factory holders are Vaisyas.
- Q.—Are you a Vaisya by caste?
 A.—Yes.
- Q.—In regard to the shop-keepers that you know, are there many who are heavily involved in debt and therefore have got to close down their business?
 A.—There are some.
- Q.—What is the percentage of such business?
 A.—It may not exceed 5 per cent.
- Q.—Why do they get involved?
 A.—Because they are extravagant.
- Q.—What other causes are there?
 A.—A shop-keeper will never lose in his business unless he is extravagant.

Q.—Has the custom of issuing cheques recently developed after the duty on cheques was taken away?

A.—Before the abolition also there was the use of cheques.

Q.—But since the abolition has there been a considerable increase?

A.—The increase will be more than 10 per cent.

Q.—Do you accept cheques of people (like you) who have invested money in the Andhra Bank?

A.—If I know the party I will accept it. Otherwise I will not.

The Chairman: You sell your articles direct to the shop-keepers?

A.—Yes.

Q.—You do not sell it to the consumers?

A.—I do not sell to the consumers but only to the retail dealers.

Q.—Are they mostly shop-keepers to whom you give 15 days' credit?

A.—Yes.

Q.—Do you find that many of these people set up shops in the bazaar without knowing very much about the business of shop-keeping?

A.—Never. He must have some experience or he might have served a shop-keeper.

Q.—Are there many failures among the shop-keepers?

A.—Only about 5 per cent may be failures.

Q.—Are there many wholesale merchants in Cocanada?

A.—In the importing line there are four or five.

Q.—What do they mostly import?

A.—Almost all sorts of metals, cement, wool and yarn.

Q.—Have there been many failures in regard to these wholesale firms?

A.—There have been no failures.

Q.—In regard to piecegoods do they import on their own account?

A.—No piecegoods are arriving at Cocanada now. They are brought from Madras only.

Q.—Are they importing yarn here?

A.—Yes.

Q.—Artificial silk?

A.—Yes.

Q.—Is it increasing?

A.—No. Large quantities are coming from Madras and Bombay only.

Q.—Do the people weave?

A.—They will weave only in the surrounding parts of Cocanada.

Q.—About your selling goods to the shop-keepers is it always paid for in cash?

A.—Yes, it is paid in cash only.

Q.—You do not get bills from them?

A.—No.

Q.—Do the shop-keepers understand the system of working the bills?

A.—No.

Q.—What do they do with their money in the shops?

A.—Their collections will be distributed to the creditors. They will not have any deposits in banks.

Q.—What do they do with their day to day receipts?

A.—They will be paying to the creditors whatever they collect in the evening.

Q.—Before their collections go to their creditors how do they keep the money?

A.—They have to meet their expenses. What remains will go to the creditors.

Q.—The trade of Cocanada as a whole is increasing. Is it not?

A.—It is increasing daily as seen from the figures. But many of the consignments and the volume of trade come for shipment only to Cocanada. Lakhs and lakhs of bags of groundnut as also castor seed for shipment only.

Q.—Shipment by whom?

A.—By English firms.

Q.—How is the stuff bought? Do the agents go and buy from the interior? *

A.—There are agents of the English firms at every railway station. They buy locally and send by rail to Cocanada for shipment.

Q.—Whom do they send in Cocanada? Is it the steamer agent?

A.—To their paid agents.

Q.—Who arranges for the shipment?

A.—There are some firms who undertake to do this shipping business on receiving commission.

Q.—They charge commission?

A.—Yes.

Q.—What do they charge?

A.—They charge Rs. 3 or so for 100 bags after meeting all the expenses.

Q.—The bulk of the groundnut from these districts goes from Cocanada?

A.—Yes.

Q.—What about Vizagapatam?

A.—It is not safe there now.

Q.—What about Bimlipatam?

A.—It is not a safe port. The sea there is rough whereas Cocaunda is a calm place for shipment.

Q.—All these firms pay cash on the spot for the purchase of groundnut?

A.—Yes.

Q.—Do they advance much?

A.—They will never advance. They pay on delivery only. If they pay any advance they will ask the dubash to stand guarantee.

Q.—They do not pay advances to grow the stuff?

A.—Only in very rare cases they will give advances.

Q.—When the Vizagapatam harbour is built, will it affect Cocanada very much?

A.—No.

Q.—Is there not much paddy export at Cocanada?

A.—Only boiled rice is exported.

Q.—Boiled rice goes to Burma?

A.—Yes. It goes to the Western ports also. At times we get paddy from Rangoon.

Q.—Are there any country crafts calling at Cocanada?

A.—There are no country crafts now. At the time of the war there were some. But now there are none. All shipping is done by foreign steamers only.

Q.—But do not they ship to other places down the coast in country crafts?

A.—No. It is only done by the canal ways.

Q.—So, there is no export business from Cocanada by country crafts?

A.—Yearly one or two boats come but they do not come in large numbers.

Mr. Thomas: Are there not boats built there by local fund workshops?

A.—That has been abolished. Only individuals have been building. But now only repairing is done and boats are not built.

The Chairman: Do they do much ship repairs at Cocanada?

A.—Only country ships will be repaired there.

Q.—When a country ship comes from Tuticorin to Cocanada and has to be repaired, how is the repairing charge to be paid? How is the payment made?

A.—They will send a representative.

Q.—They do not use the bottomry bond?

A.—They will repair on the daily wage system and the representative will pay for the charges.

Q.—You never had anything to do with the rice trade?

A.—Though I have nothing to do with trade in rice I can answer you some questions on rice trade also.

Q.—How is it marketed?

A.—The ryot will sell his paddy through a village dealer. That dealer brings it to Cocanada and comes to the wholesale merchants.

Q.—Where does the dealer live?

A.—Some dealers live in Cocanada and some also live in the interior parts.

Q.—They go round the villages and buy?

A.—Yes and then take it to Cocanada to the wholesale merchant, shipper or mill-owner.

Q.—They sell it outright?

A.—Yes.

Q.—How do they pay the ryot?

A.—After it is sold, most of the dealers will pay the ryots cash.

Q.—They do not cash and buy it?

A.—No.

Q.—Then they are working on credit?

A.—Yes, on a week or ten days' credit.

Q.—Do they give any interest?

A.—No.

Q.—Do they give any document?

A.—They only sign on a piece of paper saying that they have taken so many bags of paddy at such a price.

Q.—Does the ryot ever get swindled?

A.—No.

Q.—You do not get any bogus merchants?

A.—No. There will be one commission agent at each and every place and he will be advising the ryots. Unless he agrees the ryots would not part with their paddy.

Mr. Thomas: Are the commission agents taking too much commission?

A.—No. They get only one rupee on 25 bags.

Q.—What about the measuring?

A.—Everything come by weight.

Q.—Are the weights used standard weights?

A.—Sealed weights are used.

The Chairman: This man goes round the village, buys the crop and then sells it. Is he a merchant or a commission agent?

A.—He is a merchant.

Q.—He is definitely buying and selling. He is not a commission agent?

A.—No. He buys and sells at his own risk.

Q.—Are there no commission agents?

A.—Now there are none. Previously there were people called *Adithi Vyaparas*.

Q.—What does the village commission agent do?

A.—He will weigh the bags and then take Re. 1 for every 25 bags that he weighs. We call it one rupee per garz.

Q.—That is a big commission. Is it not?

A.—It is not so Sir. It is only for Rs. 150 he gets rupee one.

Mr. Gopala Menon: What does he make annually?

A.—Rs. 400 or Rs. 500. But there is only one for a village.

The Chairman: Has he anything to do with the sale of the stuff? His business has apparently to do with weighing and not selling?

A.—No, he has to weigh or measure it.

Q.—What is actually his business? Is he a petty trader also?

A.—Yes. Mostly such people will be Vaisyas.

Q.—The merchant who goes round is also a Vaisya generally?

A.—Yes. All these are mostly Vaisyas.

Q.—It is the Vaisya business, is it not?

A.—Yes.

Q.—There are commission agents in the towns too?
 A.—Yes, there are. Till ten years ago every article went through the commission agent. But now that system has gone. The seller comes direct and sells the articles to the millowner or the shipper.

Q.—How does the man take it from the village to Cocanada? Is it by road or by boat?

A.—By bandies.

Q.—Not by boat?

A.—If it is from a place near the canal, it is by boat and if from a place which is away from the canal it is brought by road in bandies.

Q.—If he takes by boat he takes at his own risk?

A.—Yes.

Q.—Then he goes with it?

A.—Yes.

Q.—He takes it as his personal luggage?

A.—Yes.

Q.—Are the transport charges cheaper if taken by boat?

A.—If the place is near the canal the charges are cheaper. From here to Cocanada we pay only two annas a bag. If it were to go by bandies they will charge us eight annas per bag.

Q.—Is it very unusual for the ryot himself to take the paddy to the mill in big towns?

A.—If there are mills near by the ryots themselves will take the paddy.

Q.—But they would not take to any distant mill, say if it is thirty miles away?

A.—In the case of the large cultivator who has thousands of bags there can be some bargain. But in the case of the poor ryots it is better for them to sell at the spot and after all the difference in price is only one anna or so per bag.

Q.—Do the big cultivators themselves go to towns?

A.—Yes.

Q.—How does the system work for the ryots, favourably or unfavourably?

A.—It works favourably. It is the difference of one anna only that the middleman is going to get.

Q.—What about the prices of the man who goes round the villages and makes the purchase?

A.—He gets a profit of only one anna a bag and he is satisfied with it, because he has got the bags on credit.

Q.—They are also importing rice at Cocanada?

A.—Not generally. On rare occasions it is imported. This is also a producing country.

Q.—What knowledge has the ryot in the interior got of the prices that are prevailing in Cocanada when he sells his paddy?

A.—Of course has knowledge of the prices at Cocanada.

Q.—How does he know that?

A.—Some merchants come and inform the ryots. They may have come for any purpose other than the purchasing of paddy and they would say that the price of paddy in Cocanada is so much per bag. Even if there is an increase of one anna in the price somebody goes into the interior and wants to buy there.

Q.—Now you have got the railway from Cocanada to Kottapalli. Does paddy come by rail or by bandy?

A.—It is only three months since the line was opened. And paddy has not yet begun to be sent by rail.

Q.—When do the ryots sell? At the harvest?

A.—If the cultivator is a rich man he will keep it generally till the price goes up. But if he is an ordinary man, he will sell away at the harvest.

Q.—Will it pay him to keep the paddy with him for some time?

A.—For the last two or three years the prices are not paying.

Q.—If he has to sell at once owing to the need for paying kist or his dues, what will be the price that he will get?

A.—The ryot population is not so bad as that. It is becoming rich.

Q.—Look at it this way. When the merchant goes to the villages to buy the paddy there are certain people who have got to sell their paddy and there are others who will sell if they get a good enough price. Do they all get the same price?

A.—Yes.

Q.—Do they get a better price by waiting?

A.—It will vary according to the market. If the market goes down he will be a loser by waiting.

Mr. Thomas: How many rice mills are there in Cocanada town?

A.—Not less than 10 or 12.

Q.—How are they working now?

A.—Till three years back they were working on a profitable scale, but now it is not so.

The Chairman: Have any more been started?

A.—Yes. In the interior many have been started.

Mr. Hameed Sultan Maricair: How is it that everybody is taking to rice-mills? Why not they have oil mills?

A.—There are also oil-mills.

Q.—But as it is everybody seems to go in for rice mills? Why?

A.—Because four or five years back the rice millowners made some profits. But now the demand is very poor and there is no profit at all.

In regard to some of the questions in the questionnaire I wish to say a few words. The duty on hundi is very abnormal at present. For Rs. 5,000, Rs. 5 is to be on stamps. If I had to borrow Rs. 1,000, I have to pay Re. 1. So a reduction is necessary I think on stamps on hundis.

The Chairman: How long is it since the present rates prevail?

A.—After the amendment of the Stamp Act there are no sight drafts. But before the amendment of the Act there were many sight drafts in banks.

Q.—But the question then is this. How are you going to replace the revenue? Can you suggest how the revenue can be otherwise made up?

A.—I cannot say.

Mr. Thomas: If you reduce the duty, is not likely that more hundis will be created?

A.—Yes. —

The Chairman: Have you any other suggestions to make?

A.—It is essential to open agricultural banks.

Q.—What for?

A.—To advance money to them at low rates of interest repayable in instalments over a number of years. In these parts of the country there are no mortgages of standing crops also.

Q.—Why not? Co-operative societies are authorized to do it?

A.—It may be, but most people do not do it because they do not know it.

Q.—Do you think it is good security for a co-operative society to advance loan on standing crops?

A.—If the climate is good it is good security. But although it is not very good security and a safe one, if the man is on the spot you can advance loan.

Q.—What sort of agricultural bank do you contemplate?

A.—A big bank with branches in every district.

Mr. Gopala Menon: You state that there should be land mortgage banks in every district and even taluk if possible. Do you think that if these banks are started the ryots will get money from them and redeem their prior debts?

A.—Yes.

Q.—Suppose the land mortgage bank clears or agrees to clear their prior debts. Will the ryots consent to that?

A.—Yes, they will agree.

(The witness then withdrew.)

Friday, 10th January 1930.

RAJAHMUNDRY.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. RADHA KISSAN Avargal, Proprietor, Messrs. Hiran and Ramsook, Bankers, Cocanada.

Oral evidence.

Mr. Muthiah Chettiyar: How many years have you been in Cocanada?

A.—For the last 30 years I am there. I have an experience of 30 years in Cocanada.

Q.—Are you a Multani or a Marwari?

A.—I am a Marwari.

Q.—Are there Multanis in Cocanada?

A.—No, there are none there.

Q.—How many Marwari money-lenders are there in Cocanada?

A.—I am the only one man who does money-lending. There are a few but they do not do money-lending business.

Q.—Are there many Marwari pawn-brokers?

A.—There are a few Jain Marwaris lending money on pledges.

Q.—Have you any branches?

A.—Not in British India, but in the Nizam's Dominions.

Q.—Do you lend on security of land?

A.—We lend on account. Sometimes we take security, but we do not lend on mortgages of land.

Q.—What securities do you take?

A.—Rice mills or houses are taken as security.

Q.—Do you not take land as security?

A.—If there are lands also belonging to the man who takes the loan we take that as additional security.

Q.—In towns which are the class of persons who take loans?

A.—Merchants.

Q.—Do you lend in small amounts or in big amounts?

A.—Big amounts say Rs. 20,000, Rs. 30,000 or Rs. 40,000, etc.

Q.—Is it on pro-notes?

A.—On agreement to have the property mortgaged to us whenever we require it.

Q.—Do you lend on mere pro-notes or katha?

A.—Either on a letter or on pro-note not generally on katha.

Q.—What is the rate for amounts less than a thousand and for amounts over Rs. 5,000?

A.—Twelve per cent, even though the amount is Rs. 10,000 or more. We sometimes lend on pro-notes, generally on joint pro-notes and more often on security.

Q.—Do you lend on security of goods kept in godowns?

A.—Yes, on pledge of produce.

Q.—Do merchants insure those produces?

A.—No.

Q.—Do they lock it and keep the key?

A.—The key is handed over to us, but if we come to know that the goods are sold we give back the key to the purchaser on receipt of a letter from the lender that the money will be paid on receipt of the sale money.

Q.—Do you give clean loans?

A.—Yes.

Q.—How long do you wait to recover them?

A.—Sometimes we wait for one year and at other times for more than one year.

Q.—Do they pay interest at least once a year?

A.—We demand interest at the end of a year. Sometimes they pay and if we do not receive then we wait for two years and even three.

Q.—Do you go to court?

A.—Yes.

Q.—Are there many such cases where you have to resort to courts for recovery?

A.—About 15 in 100 cases.

Q.—Do you go to courts often for recovery of loans on mortgage deeds or clean loans?

A.—There are more suits on mortgage deeds.

Q.—What is the net yield on your capital after deducting all expenses?

A.—We are getting our capital from capitalist partners in our native place at 6 per cent interest and we are lending at 12 per cent. Formerly we used to get about Rs. 5,000 to Rs. 6,000 per year but now for the last three or four years we get no profit at all.

Q.—What are you?

A.—I am a working partner.

Q.—How many lakhs of rupees have you lent?

A.—Between three and four lakhs. But there are now about 2 to 3 lakhs of rupees outstanding.

Q.—On this volume of business after paying 6 per cent to the capitalist partners are you not making any profit at all?

A.—No. Debts are accumulating in our books but money does not come at all.

Q.—In giving loans do you get, besides pro-notes, hundis?

A.—We never take hundis unless it is for export of goods.

Q.—Do you discount your pro-notes with other banks?

A.—No.

Q.—Do you get any facilities from other banks?

A.—I have an account with the Imperial Bank and they help us sometimes up to one lakh of rupees.

Q.—How many days or weeks do you enjoy such accommodation?

A.—Only one week.

Q.—So it is only a very temporary accommodation?

A.—Yes.

Q.—You say that you are not easily realizing interest. How is your income computed by the Income-tax Department?

A.—Hitherto they used to tax us on uncollected amounts also but now they tax us only on actual collected amounts.

Mr. Thomas: What are the terms on which you lend money?

A.—I lend money to those who purchase goods, who may pledge the goods, or who store the goods.

Q.—What rate of interest do you charge?

A.—Twelve per cent.

Q.—In all cases?

A.—Yes, in all cases.

Q.—Suppose a clerk in one of the Government offices comes to you for a loan of Rs. 100, what interest will you charge?

A.—They do not come often. I charge 12 per cent interest.

Q.—Do you give him the Rs. 100 directly or do you give him the amount less the interest, i.e., do you deduct interest in advance?

A.—No. The interest will be collected only along with the principal.

Q.—Are all Marwaris doing this way?

A.—There are some Jain Marwaris who lend from 12 annas to Rs. 1-9-0 interest per cent per month. But that is not my business.

Q.—Supposing that clerk does not pay you at the right time. What penal interest do you charge?

A.—No penal interest is charged.

Q.—Do you know of any money-lenders in Cocanada who deduct interest at the time of giving the loan?

A.—I do not know. I cannot say.

Q.—Are you not aware of such transactions?

A.—I am not aware.

Q.—Do Vaisyas do that?

A.—I am not aware of it.

Q.—Who audits your accounts?

A.—Some Marwari gumastas. In the income-tax office there are some Marwari gumastas and they audit our books for income-tax purposes.

Q.—Do you receive any deposits?

A.—We do not receive any deposits in this part of the country. We never give more than 6 per cent interest on deposits. We get deposits from our part of the country, i.e., from our native place.

Q.—Can you not get deposits here if you pay at 6 per cent interest?

A.—We are not getting.

Q.—Suppose you open or establish a regular bank with trained clerks and open the deposit side of banking. Will it not be better?

A.—May be. But I do not want to do it.

Q.—How much overdues have you now?

A.—Two to three lakhs of rupees.

The Chairman: Are they all overdues?

A.—Yes, they are. We are demanding the money and they are not paying.

Q.—If a party is not paying on the due date, how long will you wait?

A.—We wait for one or two months. But I fear to go to court, for then it will take sometimes two to three years to realize the money. In the last resort only I go to court.

Q.—Suppose the Government were to make a rule that all money-lenders are to be registered and their accounts are to be annually audited. Will you agree to it?

A.—No.

Mr. Gopala Menon: Where do you derive your capital for your banking business from?

A.—From my capitalist partners in my native place.

Q.—Which is your native place?

A.—Jodhpur, Rajputana.

Q.—What is the rate at which you borrow money?

A.—Six per cent.

Q.—What is your lending rate?

A.—Twelve per cent.

Q.—What are the purposes for which you lend money to the public here?

A.—For erecting mills, improving industries and storing merchandise.

Q.—Also for your own trade?

A.—Yes, I have got also some trade.

Q.—So you are mixing up banking business with your other business?

A.—Yes.

Q.—Do you lend money on jewels also?

A.—No.

Q.—Do you lend money to agriculturists?

A.—No.

Q.—Have you got any reserve or sinking fund kept apart to meet any unexpected contingency?

A.—No. If such contingency comes we borrow money from the Imperial Bank or from our people.

Q.—What will be your net income after meeting all expenses?

A.—For the last three or four years I do not get any profit at all.

Q.—Have you got any suggestion to make to improve your business?

A.—No. Times have become bad. If we give loan on security of land the title-deeds are defective, if we give loans on security of produce the price goes down. In every way there is loss.

Q.—Do you want any help from the Government for carrying on your business?

A.—No. Only their favour.

Q.—Do not think of the past. Do you want any outside help in the future in order to protect your interests?

A.—We do not want any. If all these outstandings of mine are collected, then I will gladly go away.

Q.—Have you had any dull period in your business career?

A.—During the last 30 years I have never seen anything like the past three years.

Q.—Is it due to difficulty in recovering money or dull period due to slump in trade?

A.—We don't realize our loans at all.

Q.—Have you stopped lending then?

A.—No. I now lend only to first-class clients.

Q.—Have you any banking account?

A.—I have, but I very rarely operate on it.

Q.—Do you send your cash balances every day to the bank?

A.—No.

Q.—When you lend do you issue cheques on your banker?

A.—We do not issue cheques always. Only when the party wants it.

Q.—Have you at any time remitted money to your community in Madras in times of dullness in order to earn interest?

A.—I sent them and also when I want money I get from them.

Q.—From where?

A.—From Madras, Bombay, from my native place.

Q.—So there is inter-relationship between Marwaris of the different provinces?

A.—Yes.

(The witness then withdrew.)

The Committee adjourned to meet again at Bellary on Thursday, the 16th January 1930.

Thursday, 16th January 1930.

BELLARY.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIK SAHIB Bahadur.

**M.R.Ry. Rao Sahib V. KRISHNAMA CHETTI Garu, B.A., B.L.,
Advocate, Bellary.**

Oral evidence.

The Chairman: Mr. Krishnama Chetti, you belong to a banking community, do you not?

A.—Yes.

Q.—Have you got land?

A.—Yes, I have about 30 acres of land.

Q.—Your community is engaged in banking. Can you tell us anything about the system of the financing of agriculture here? I think a good deal of it is done in Bellary. Is it so?

A.—Yes.

Q.—Particularly for cotton?

A.—Yes.

Q.—What are the usual terms?

A.—Those applying to the general money-lending business.

Q.—As I understand, the merchants carry on both the money-lending and the mercantile business. They advance to the ryots for growing their crops. What are the conditions?

A.—If a man is sufficiently rich, he will take a loan between 9 and 12 per cent. If he is not sufficiently rich and if the security is only the produce on the land, there are some commission merchants who advance money on the security or on the assurance that he would supply the produce and they sell the produce and take a certain percentage of the sales as their commission as also the interest on the money advanced. That is the usual mercantile practice here; i.e., they charge a certain commission and they also recover their interest.

Q.—To what class of ryots does this apply?

A.—The middle class ryot, that is the man in ordinary circumstances.

Q.—Will he own about 10 to 15 acres of land?

A.—No, much more than that. I mean one who is in no want for the running of his household. Of course he can maintain himself. He will have about 40 to 50 acres. But if he is a poor man, say for instance, one having three or four acres of land and having no money to attend to cultivation purposes, then the merchant of the locality, that is of the village where the ryot is, charges a high rate of interest.

Q.—It comes down to this. There are practically, I take it, three systems, one applying to the small ryot having up to five acres; then a somewhat different system applies to the intermediate class having about 50 acres and then we have the big ryot to whom a quite different system altogether applies?

A.—Yes.

Q.—Do most of the biggest ryots rely on themselves?

A.—Yes.

Q.—I take it that the intermediate class of ryots borrow from the merchants or commission agents of Bellary?

A.—Yes.

Q.—At what rate of interest?

A.—It will be the ordinary rate of interest between one rupee and one rupee and four annas. One rupee is the moderate interest.

Q.—Twelve per cent?

A.—Yes.

Q.—Do the ryots mortgage their land?

A.—They do not mortgage their lands generally unless they are in straitened circumstances.

Q.—They will only execute a bond?

A.—They usually execute a pro-note.

Q.—The debt is advanced on the assurance that the crops will be sold through them or to them?

A.—Through them.

Q.—And he gets a commission?

A.—Yes on the sales.

Q.—What is the customary rate?

A.—Between 2 and 3 per cent.

Q.—And the loan is recovered?

A.—Yes from the sale proceeds. The ryot gets the benefit if after meeting the commission and the loan with interest anything remains.

Q.—Is it customary for each transaction to be complete in itself or does the ryot generally carry on a running account with one particular individual?

A.—It goes on as a sort of a running account. Sometimes it closes. Of course if there is a balance, it goes on as a running account.

Q.—What will the ryot do if in the meantime he wants money?

A.—He must go to the money-lenders and borrow at the same rate.

Q.—And the loan continues till the harvest?

A.—Yes.

Q.—In regard to the amount of the loan does it depend upon the property of the ryot?

A.—Yes.

Q.—That depends upon the personal knowledge of the commission agent?

A.—Yes.

Q.—What about the utilization of the loan?

A.—The loan will be utilized towards the cultivation expenses.

Q.—Is there any assurance that it will be so utilized?

A.—It depends upon the man.

Q.—The merchant does not worry about it at all?

A.—No. He would have known the character of the man.

Q.—Would it be reasonable to say that if he borrows Rs. 300 he may spend Rs. 200 on cultivation expenses and the remaining Rs. 100 on various other occupations?

A.—Yes.

Q.—Would you say that the merchant concerned makes his money chiefly from the money-lending side of his business or that he makes his money out of the commission that he is able to get?

A.—I think the net result would be that he is not able to save anything as a merchant. What he may be able to get as a merchant will go only to meet his personal expenses and the commission that he charges would go to meet the establishment charges and the other expenses of his business. It is only the interest that he will have as a net income.

Q.—It is the money-lending part of his business that pays?

A.—Yes.

Q.—All this is in the hope that there will be a good crop?

A.—Yes.

Q.—If there is not a good harvest?

A.—He has to wait for another good crop.

Q.—But, for the next year the ryot has to borrow again. Does he borrow again on the same terms?

A.—Yes.

Q.—How long is the money-lender prepared to go on doing that?

A.—Until he loses confidence in the individual borrowing.

Q.—About the question of repayment at the time of the harvest, the loan is on pro-notes?

A.—Yes.

Q.—If due to the failure of crops or any other reason a man does not repay in time, the land will be required to be mortgaged?

A.—Of course if the ryot is prepared to mortgage his land.

Q.—I am sure if the land is not mortgaged, the merchant would refuse to advance further. Is that not so?

A.—It is true in some cases.

Q.—When a debt is going to be serious, am I right in saying that it will generally be followed by a slump in the value of the land itself?

A.—Yes.

Q.—As the crops fail the debts go up?

A.—Yes.

Q.—If he gets one good crop, he generally pays off a good many loans?

A.—Yes.

Q.—Let us go back a bit. Advances are given sometimes in cash?

A.—Yes.

Q.—And sometimes in grain?

A.—Yes, but it is only in the villages.

Q.—In the case of the commission merchants in the Bellary town who advance money, they generally advance in cash or in grain?

A.—Cash.

Q.—It is only in the villages that grain is advanced?

A.—Yes, it is only in the villages. There they get about three to four times the grain that has been advanced.

Q.—In the cases of these other merchants at Bellary do a large number of them own lands?

A.—Some of them own lands.

Q.—Is that the result of the ryots being unable to pay off their loans and the merchants being forced to buy their lands?

A.—I do not think it is so. There may be an exception of one or two.

Q.—Would you say that in Bellary land is passing to any extent out of the hands of the ryots to the hands of the commission agents?

A.—No, unless they are forced to purchase. When the debtor is unable to pay the only alternative is for him to give his land instead of incurring more debts by paying interest. So he generally gives up in favour of the creditor.

Q.—Then there is another agency just come, that is the co-operative loan and sale society. Do you consider that of any particular importance in regard to cotton and groundnut?

A.—They are doing very little business, infinitesimal I should say.

Q.—The merchants and the commission agents do not regard it as a serious rival?

A.—No.

Q.—Then what about the other class, the small ryot in the village? He borrows from the money-lenders?

A.—Yes.

Q.—Does he borrow partly grain and partly cash, or does he borrow chiefly grain?

A.—He borrows partly grain and partly cash, but chiefly cash.

Q.—And he repays?

A.—With a high rate of interest.

Q.—He executes pro-notes first?

A.—Pro-notes or bonds.

Q.—And then in course of time it will be converted into mortgage deed?

A.—Yes.

Q.—Once they get into debt by getting a loan from the village money-lender is there any escape?

A.—I suppose there is no other alternative. The cheapest course is one of insolvency. I think that is a bane on money-lending. Now whether it is a mortgage or a pro-note all the creditors get pro-rata.

Mr. Muniswami Nayudu: How?

A.—If it is within two years, it will be set aside, because the other creditors will get to know of it and will put in a petition to set it aside.

The Chairman: About the money-lenders in the villages, do they work entirely on their own capital or do they also borrow?

A.—They also borrow.

Q.—From whom?

A.—From the people in the big towns.

Q.—The people who are engaged in money-lending are also mixed up in trade?

A.—Yes.

Q.—It is chiefly the Vaisya community?

A.—It has passed from the Vaisya community to several other people, especially to the Marwaris.

Q.—The Marwaris are financing the village money-lender?

A.—Yes.

Q.—What is their rate of interest?

A.—It will generally be 12 per cent.

Q.—That is entirely on personal security?

A.—Yes.

Q.—And they pass it on to the villagers at 24 per cent?

A.—Very nearly 24 per cent. But this is only in the case of the poor ryots.

Q.—Are the grain loans at the same rate of interest or are they at a higher rate of interest?

A.—At the same rate of interest.

Q.—The money-lenders measure the grain?

A.—Yes.

Q.—Can you tell us about the rate of interest? Is there any tendency for it to go either up or down, say during the last 20 years?

A.—It is going up on account of the facilities that are now offered by the Imperial Bank for trade and borrowing purposes and then there are failures and other things connected with them. The mere inclination to borrow sometimes increases the rate of interest but the necessity itself has gone up very little only this year. Hitherto the rate of interest was only 9 per cent but now it has risen to 12 per cent here.

Q.—But why has it gone up recently? Is there any particular reason?

A.—They go on doing business to an extent which they cannot afford to bear and then they will have a crash and they will have to go to the money-lenders again to repay their debts on account of the losses in trade.

Q.—What about the rates in the villages? Have they come down at all?

A.—No. In the village the rate always depends upon the rate in the town.

Q.—And the co-operative societies have not affected the rates?

A.—The lending by the co-operative societies is very little. The indebtedness of the village is very high and then the co-operative societies are approached only by very small tenants. I mean that the loans given by them do not exceed Rs. 500; but that is nothing to relieve the indebtedness of the villager.

Q.—Would not a loan of Rs. 500 provide for the cultivation expenses of 25 acres of dry land?

A.—The point is not whether it would cover the actual cultivation expenses only. It should also meet the family expenses. The villagers have to maintain themselves. It will be sufficient if their maintenance is also included in the loan.

Q.—That is assuming that there is nothing left for the ryot out of his last crop?

A.—Yes.

Q.—Is it the general idea of the condition of the ryots here that the whole of the last crop goes to the repayment of debts?

A.—Yes.

Q.—For the next year's expenses they have entirely to borrow?

A.—Yes.

Q.—Even after paying off the crop, there is a considerable debt left unpaid?

A.—Yes, in some cases, on account of the insufficiency of the rains. From the net yield in this district they get their bare living expenses even though the ryots are rich. I have thirty acres of land in Mokad, supposed to be partly wet and partly dry. I get a share of Rs. 180 or so and that has to meet the kist payable to Government.

Q.—But what is that land worth?

A.—For all calculation purposes it comes to about Rs. 10,000.

Q.—Cannot you sell it?

A.—There is insufficiency of water and that stands in the way of raising a good crop.

Q.—If you get nothing from it you can easily sell it and invest the money in the Post-office savings bank?

A.—That would be the best suggestion. But I do not want to part with it owing to conscientious objections.

Q.—Is there not a spring channel near it?

A.—There is, but nobody goes there and works.

Q.—And the ryots refuse to go and stay there and work the channel?

A.—Yes.

Q.—Whose business is it to clear the channel?

A.—It is the duty of the ayacut holders and they mainly depend upon the labouring classes. As regards the other landowners unless they get seasonal rains they cannot do anything.

Q.—There are no ryots then who have got lands under the channel system?

A.—No.

Q.—And those lands are sublet?

A.—They are sublet by us.

Q.—Is it the tenant's business or is it your business to have the spring channel cleared?

A.—It is the tenant's business and ours also sometimes. But unless we go there and work the channel it will not be of much use.

Q.—They do not do that?

A.—The ryots do not.

Q.—There is plenty of water?

A.—Yes. But sometimes it fails. Even that water has to be drawn up.

Q.—There is plenty of water at all times?

A.—No. Sometimes there is a failure of water also.

Q.—It is the same water as that supplied by the Bellary municipality?

A.—Yes.

Q.—But you have the prior claim?

A.—No doubt we have. But that does not interfere with the water-supply to the municipality, because it is on the other side of the channel that they take their supply. Even as regards these dry lands I do not think that unless there is plenty of rain there will be anything left for the ryots. I think once in five years there is good rain and consequently a good crop.

Q.—Are there very good crops this year?

A.—They say it will be about 60 to 70 per cent.

Q.—How was it last year?

A.—There was very little yield.

Q.—Was it in some parts good and in some parts bad?

A.—Yes.

Q.—But generally the ryots get a good crop once in five years?

A.—Yes.

Q.—But when you say there is nothing left for the ryot, is it after meeting the cultivation expenses there is nothing left for his living?

A.—Yes.

Q.—As to the seed grain do they generally reserve it or do they borrow?

A.—Of late they do not even reserve seed, that is for the last four or five years. Of course they go in easily to the market and there purchase it. It is only for the last four or five years that it is like that.

Q.—Are the loan and sale societies distributing millet in Hagiri?

A.—No. They distribute only cotton.

Q.—They are working on millets too?

A.—It is only to a very small extent.

Q.—What you have been saying applies to the eastern part of it and not to the Kanarese part of it?

A.—No, not to the Kanarese part of it.

Q.—The Kanarese part of it is very much better off?

A.—Yes.

Q.—Is it a black cotton area?

A.—Yes.

Mr. Hameed Sultan Maricair: How are the smaller merchants in towns financed?

A.—They borrow from the Marwaris.

Q.—At what rate of interest?

A.—At 12 per cent.

Q.—What is the period of the loan?

A.—It is payable within one year, especially on the Deepavali day.

Q.—Do they have any running accounts?

A.—Yes. But sometimes they are repayable on the Deepavali day when the accounts are closed for the year.

Q.—Do they have any bank transactions?

A.—Very few of them have transactions with the bank.

Q.—Are there big merchants in the town here?

A.—Yes.

Q.—What are their main businesses?

A.—Money-lending and commission agency.

Q.—Are there any sundry shops or anything of the sort?

A.—No, there are not many sundry shops.

Mr. Gopula Menon: Do you think that there is a rush of produce for sale in the market at the harvest season?

A.—No doubt, in the case of groundnut there will be a rush because in order to meet their expenses of paying the revenue and other things the ryots will have to sell. But in the case of the other produces there is not much of a rush unless there is a heavy demand to pay the Government assessment and other duties.

Q.—What is the general experience? How do they find the money for paying kist except by selling their produce?

A.—Hitherto there was not much of groundnut trade in these parts. But now groundnut is sown in plenty. But after harvest they cannot keep it in their houses for a long time and so bring it to the market and readily sell it away. Hitherto they were growing only cotton and they used to borrow because the cotton crop comes in about April and May and then they have to borrow from the money-lender at a high rate of interest. But now the groundnut season has helped them very much, because they get the groundnut crop at a much earlier period, say in December and January and when they sow the groundnut crop there is no necessity to borrow so much.

Q.—What I want to know is whether the ryot is getting a reasonable return by selling the produce like groundnut or cotton immediately after harvest.

A.—Yes.

Q.—Is he able to find a good market?

A.—Yes.

Q.—And you do not find any scarcity afterwards and consequently a rise in the price?

A.—Yes.

Q.—That also you have experienced?

A.—Yes.

Q.—What is the proportion of the land coming under commercial crops as compared with the land for growing food grains in these parts?

A.—I have no personal experience myself but I am told that the major portion is under the commercial crops such as groundnut especially and not under food grains.

Q.—You told in answer to a question from the Chairman that the larger landholder is able to keep back his produce without much financial help from outside and it is only the smaller ryots that sell immediately after the harvest?

A.—Except in the case of the food grains, even the larger landholders sell away the commercial crops immediately after harvest.

Q.—Do you then find a steady price ruling in the market for these products or do you find that the price is low soon after the harvest is over with a rise in the price later on?

A.—It all depends on the foreign market, for cotton and groundnut, especially so for groundnut.

Q.—To some extent it depends on the agencies that exist for holdings the produce against a better market. Is it not?

A.—Yes.

Q.—What I want to know is whether the people who raise these crops are able to hold it on and obtain a reasonable price throughout the agricultural season?

A.—Few of the ryots do like that. But the majority bring it to the market and there sell it. But those who have got facilities in the banks go on storing groundnut. But it is only very few who do so and have got some credit with the banks like the Imperial Bank. Otherwise it is not the practice for them to store.

Q.—Can you tell me what are the financial agencies that advance money on the stock for holding back the sale of the produce till a favourable market is obtained?

A.—It is only the Imperial Bank.

Q.—Are there any other agencies?

A.—No.

Q.—Are there no private money-lenders who attend to this?

A.—They do to a very little extent.

Q.—Is there any branch of a joint-stock bank here?

A.—There is none.

Q.—So that sort of financing is mostly done by the Imperial Bank?

A.—Yes.

Q.—Do you think that if public warehouses are brought into existence, it would afford facilities for these people to keep the goods and obtain a better price?

A.—Really that would be very useful.

Q.—Then the question will be which are the agencies that will have to be entrusted with the work and responsibility of running these warehouses?

A.—We have loan and sale societies. Of course they have to obtain sanction from the co-operative bank at Hospet which will require some time. To stock it they require godowns. That will make them hesitate in regard to starting this. Of course there will be delay in payment to the ryots and the agency is in itself in an initial stage.

Q.—You mean that at present to some extent it is being done by the loan and sale society?

A.—Yes to a very slight extent.

Q.—There is one in Bellary too?

A.—Yes. That is restricted only to the members of the co-operative societies.

Q.—Apart from the loan and sale society can you think of any other agency to which the warehouse system could be entrusted? This forms part of our enquiry to find out the agencies for running warehouses.

A.—A separate agency has to be started, I suppose

Q.—Are there any decorticating mills for groundnut?

A.—Yes, there are several.

Q.—Do you think such agencies could be entrusted with the work of running or supervising the warehouses?

A.—Yes.

Q.—Are there mills or refineries here?

A.—No. Except decorticators and cotton gins I do not think that there are any.

Q.—Do you think it could be done by private licensing system?

A.—I think so.

Q.—The railway companies can also afford facilities for warehousing?

A.—Yes.

Q.—You told the Chairman that the commission agents or dalals as they are called in these parts do the operations of selling the produce?

A.—Yes.

Q.—Do you find that by selling their produce through the dalals the producers are able to get their full share of the price?

A.—Yes.

Q.—So you think that these dalals are an essential element of the market?

A.—Yes, they are an essential element of the market.

Q.—You do not think that in any way the operations of the dalals are prejudicial to the interest of the producers?

A.—I do not think they are prejudicial, because they advance for that produce as soon as they get it and when the ryot wants to sell it they sell it. Of course it is left to the discretion of the ryot to sell it when he pleases.

Q.—What is your experience with regard to the organization of the cotton market? Do the loan and sale societies attend to the sale of cotton or is there any other agency or organization through which cotton is sold?

A.—There is no organization other than the loan and sale society.

Q.—Do you know anything about the cotton market in Berar?

A.—I do not know.

Q.—Are there any Multanis and Marwaris who finance the internal trade?

A.—The whole town mainly depends upon the Marwaris for the internal trade.

Q.—Is there a large number of them?

A.—Yes.

Q.—What is the rate at which they finance the ordinary trade or the producer?

A.—I have already told you that it is between 12 per cent and 15 per cent.

Q.—Do they transmit money from one place to another by means of discounting hundis?

A.—It is only in the case of big towns like Bombay, Madras or Cud-dapah where they have got their own agencies that they discount the bills.

Q.—Is that merely in the case of the import trade or does it apply to the case of articles sent out from here?

A.—For both.

Q.—Is there much trade done with Bombay and Madras by sending out produce from here and drawing bills on those centres?

A.—To a very little extent it is being done.

Q.—What are the chief articles of export from this town?

A.—Cotton and cotton seed to a very little extent, because the major portion is paid for here only by the foreign merchants. For instance, Rally Bros., and other firms pay the money here.

Q.—So the exporters come and buy on the spot?

A.—Yes.

Q.—We are talking about cotton and groundnut. But apart from these there must be smaller articles either in the form of manufactured articles or agricultural produce being sent out from here?

A.—Very little is exported.

Q.—I suppose this is a place noted for making blankets and cumblies?

A.—Yes.

Q.—Do they export much of it from here?

A.—Not much.

Q.—How do they get their articles of import? Do they get them from Madras or from Bombay?

A.—From both places.

Q.—Is it done through their commission agents in those places or do their agents go to Bombay, and Madras and there make the purchase?

A.—They go to Bombay or Madras and make the purchase.

Q.—How do they pay for those goods?

A.—They will have some commission agent there.

Q.—Do you mean these merchants?

A.—Yes. They will have some commission agent in Bombay who will give them some credit.

Q.—Are they Multanis and Marwaris?

A.—They are Marwaris.

Q.—You think that the rate charged by the Marwaris is between 12 and 15 per cent?

A.—Yes, locally.

Q.—That applies for the financing of trade also? When they advance money for trade purposes, they charge the same rate I suppose.

A.—Of course they charge the same rate here. But when the purchase is made in Bombay, they charge generally from 9 to 12 per cent, because they get about 2 per cent commission.

Q.—That is the commission agent?

A.—Yes.

Q.—He charges 9 to 12 per cent?

A.—Yes.

Q.—So the local Marwaris are not lending for the purpose of purchasing in Bombay or in Madras?

A.—No.

Q.—Do you think that the opening of the branches of the joint-stock banks either through Government help or independently would ease down the rate of interest? Would it not to some extent be more useful to the traders here?

A.—Surely it will be of immense help.

Q.—Do you find any competition between the co-operative societies and the other money-lending institutions here?

A.—There is not much competition.

Q.—In the matter of bringing down the interest?

A.—There is not much of it because the individuals who borrow from the co-operative societies are quite different from the merchants who are not in favour of getting from the co-operative societies.

Mr. Thomas: I suppose you are acquainted with the cotton business?

A.—I know about cotton business to a very limited extent.

Q.—With what other lines of business are you in touch?

A.—Of course I am aware of all the business. Personally I have no business in cotton or any other. But I know some of the merchants.

Q.—Perhaps money-lending is best known to you?

A.—Yes.

Q.—I should like to know if there is any relation between the ryot and the money-lender in regard to the supply of seeds?

A.—Of course, the money-lender does not supply the seed here.

Q.—Who supplies it, then?

A.—It is purchased in the market.

Q.—In the villages, too?

A.—The money-lender supplies it.

A.—Is it true that in the villages the money-lenders who supply seed get 50 per cent more at the time of repayment?

A.—It is sometimes true. But the money-lenders get even more, say three or four times the grain that was supplied.

Q.—Is it compulsory that the ryot should sell the produce only to the money-lender who lent him money?

A.—There is no such compulsion except when grain has been lent, and if the ryot has to pay during that season he has to pay the full produce.

Q.—It has to be paid in produce?

A.—Yes, from the actual produce on his land.

Q.—And not the amount?

A.—Unless he has taken the loan on interest, the ryot has to pay in produce.

Q.—Generally the contract entered into between the ryot and the money-lender is to the effect that the produce should be given to the money-lender. Is it not so?

A.—Yes. It is held in the name of the ryot by the merchant and then it is sold and credited to the ryot.

Q.—So it amounts to a compulsion practically?

A.—It is not a compulsion.

Q.—Would it be sufficient if he sells the produce and gives the money to the dalal?

A.—Sometimes this is also done. But since the ryot has got faith in the money-lender he will allow him to sell in the open market and pay him the balance after deducting the loan amount and the interest the money-lender is entitled to.

Q.—In the largest number of cases the produce goes to the money-lender?

A.—Generally the money-lender is entrusted with the produce. This is only in the villages.

Q.—What about the practice in the towns?

A.—Unless there is a contract to that effect, the produce would not be deposited with the money-lender. It all depends upon whether the money is advanced by the money-lender for getting the goods into his custody or not.

Q.—A large number of transactions in the town do not involve the giving of produce to the money-lenders?

A.—No.

Q.—They are paid in money?

A.—Yes, except in the case of the commission agent.

Q.—I do not speak of the money-lender alone. What does the commission agent do?

A.—He gets the crop.

Q.—Then that is really compulsory?

A.—Yes, because they have to get their commission.

Q.—That is an important point because I find that in certain reports published by the Indian Central Cotton Committee, it is not so stated. Generally the produce is not sold in the open market?

A.—No. Generally money is advanced for the purposes of cultivation and when the season comes they have to send all their produce to the commission agents.

Q.—Can you tell me the total charges that have to be paid by the producer on the produce he gives to the dalal? What is the commission that he has to pay?

A.—Between 2 and 3 per cent.

Q.—I find that according to the report of our investigator that it is six pies per rupee. Is that correct?

A.—Yes, it comes to 3 per cent. Generally it is 3 per cent, but if there is competition between two traders then it comes down to 2 per cent.

Q.—I think you said in reply to Mr. Gopala Menon that dalals are necessary?

A.—They are quite necessary because they advance money and await a favourable market.

Q.—Is it not possible to reduce their influence by putting the produce to auction as is done in 'regular' markets in Berar and in other places?

A.—If the market is unfavourable what is the use of it? If there is any warehouse as my friend suggested wherein they could deposit their produce and get an advance and thus wait for a favourable market for them to sell their produce, it would be very well.

Q.—Those who have warehouses could bid at the auctions and a reasonable price will be fixed up?

A.—Yes.

Q.—That is being done in certain places with regard to rubber and tea and in Berar in regard to cotton. That would be a better arrangement, is it not?

A.—It would be, but it all depends upon the favourableness of the market. I do not quite follow what the function of the warehouse that was referred to is. Is it to be a purchasing or a stocking firm? I am speaking of it in the sense that it would receive the goods from the ryots, advance moneys to them and enable them to wait for a favourable market.

Q.—Will it not be better to adopt the 'regular market' system whereby the whole stock will be put to auction in open market, the dalal becoming a regular broker looking after the interests of the seller?

A.—Yes.

Q.—Would it be a better thing to adopt?

A.—It is being done now like that.

Q.—Is cotton being auctioned?

A.—The merchants meet and fix the price.

Q.—But that is not the way in a 'regular' market. But anyway, an improvement is quite necessary, is it not?

A.—Yes.

Q.—To what caste do the principal money-lenders of this town belong?

A.—The Marwaris are now the principal money-lenders.

Q.—You spoke of the rate of interest going up. What is the cause of that rise?

A.—It is due to the several losses and failures in trade.

Q.—What do you mean by the failures? Has there been recently any big failures?

A.—There is now a panic in Bellary.

Q.—What is the cause of that?

A.—The cause of it is some people begin to do business beyond their means because there is the financing element in the market. They store up the grain, borrow money from the money-lenders or the Imperial Bank and then towards the end find themselves faced with a huge loss.

Q.—Whom do you refer to as 'they'? Are they the merchants?

A.—Yes. Consequently, in order to meet their losses they have to borrow at a very high rate of interest.

Q.—Is the panic you referred to due to the mistake of the merchants?

A.—Yes.

Q.—So the money-lenders are demanding a high rate of interest?

A.—Yes.

Q.—Has there recently been a good many failures here?

A.—About half a dozen.

Q.—To what caste do those merchants belong?

A.—They belong to all castes. Some are Muhammadans some are Vaisyas and some are Lingayats.

Q.—What class of firms have failed?

A.—The commission agents.

Q.—Not the Marwari money-lending firms?

A.—The Marwari money-lenders will not fail. They might be losers but they will never fail.

Q.—If I remember right you just now spoke of the money-lenders failing?

A.—I spoke only of the increased rate of interest charged by the money-lenders. But it is the merchants, some of whom have failed in their business.

Q.—Not money-lenders?

A.—No.

Q.—Have the Marwaris and other merchants recently increased their rates?

A.—Very recently they have made an agreement not to lend at less than 12 per cent.

Q.—Could not the Imperial Bank influence their rate?

A.—No.

Q.—I think you said in reply to the Chairman that your outturn from the holding of 30 acres is an insignificant sum?

A.—Yes.

Q.—By investigations in this district it has been found that the average net yield per acre is about Rs. 15?

A.—It is not true. I do not think it is correct. If it is Rs. 15 per acre I do not think that there will be any indebtedness at all in the district.

Q.—I will just give you an idea of the investigation conducted in a particular village for a holding of about five acres, of which three acres were cultivated with groundnut and the remainder with cholam. From groundnuts the ryot received 90 maunds and from cholam ten kadagas and thus he got about Rs. 165 from five acres. The cultivation expenses came to Rs. 87 and the taxes to Rs. 6, the total coming to Rs. 93. Is that not typical and reasonable?

A.—I do not think it is quite typical. The investigator must have picked up a very good field.

Q.—What is the lease amount in this district for an acre of dry land?

A.—It ranges between Rs. 3 and Rs. 7.

Q.—Would it be right to put it between Rs. 5 and Rs. 10?

A.—I might say between Rs. 3 and Rs. 7.

Q.—Surely if what you told us about your own holdings were true of other holdings as well it would not be possible for the tenants to give Rs. 5 to Rs. 10 per acre?

A.—Yes, it is not possible. They can pay Rs. 3 to Rs. 6 per acre. Only in exceptional cases when the lands are close to the village and when they have been manured properly and the season is fair is it possible to pay Rs. 10 per acre.

Q.—How can the tenant afford to pay Rs. 5 to Rs. 10 unless the gross yield is higher than that?

A.—The gross yield per acre in a good season will be from Rs. 15 to Rs. 20. Sometimes if the groundnut is sown there will be higher yield, and the market price goes up; then his income will be greater.

Q.—After paying cultivation expenses, will there be a net profit of Rs. 15 per acre?

A.—If it is purely cultivation expenses.

Q.—Do many ryots cultivate groundnut?

A.—They have begun to grow groundnut only recently. In alternate years they grow cotton and cholam.

Q.—Have you studied the cumbli industry of this place? Do you find the industry at present decaying?

A.—I have not studied it specially, but I think it is decaying, but I have no exact idea. Hitherto it was mostly exported to Ceylon, but now I hear that the quantity exported is very little.

Q.—I find according to a Government report that supplies are now sent to other parts of India like Madras, Nilgiris, to the Tea Estates in Assam, etc. Have you any information about it?

A.—I have no idea.

Mr. Muniswami Naidu: Who is the person who lends money for the ryots' necessities?

A.—It is the local banker.

Q.—What caste does he belong to?

A.—Generally the Vaisya merchant or in his absence the Reddis, and the Kapus in the eastern part and some Lingayats in the western part.

Q.—Do these Vaisyas also own land in the village?

A.—To a very little extent. They are merely bankers.

Q.—But the Reddis and Kapus own land?

A.—Yes.

Q.—And some of them are landless also?

A.—Yes.

Q.—Do you find the Multanis and the Marwaris taking a part in financing agricultural credit in your district?

A.—No, not at least in the villages. They are found only in the principal towns.

Q.—Have co-operative societies been started in the district?

A.—There are several in existence and many are being started.

Q.—Are you connected with the co-operative movement?

A.—Yes.

Q.—In what capacity?

A.—I was secretary of the local bank and also secretary of the local union for some time and I am now the president of the co-operative building society.

Q.—What generally are the rates of interest charged by these Vaisyas and other money-lenders in the villages?

A.—From 12 to 15 per cent.

Q.—Is mortgage of land freely resorted to for loans advanced?

A.—Yes.

Q.—What do you think is the proportion of mortgage deeds as against pro-note debts in an ordinary village?

A.—Most loans are on mortgages.

Q.—Are there any stipulations regarding penal interest if the amount is not repaid in a particular time?

A.—Generally no. In exceptional cases the penalty clause is put in and that is only just to induce the borrower to repay quicker and at the agreed time.

Q.—What is the general tendency for a man who contracts a loan? Is his tendency to repay it as quickly as possible and prevent increasing indebtedness or otherwise?

A.—Certainly to repay as quickly as possible.

Q.—So do you think that generally the ryot can repay all his loans?

A.—Yes, if the rains are sufficient.

Q.—His debts are not beyond his capacity to repay?

A.—No.

Q.—Do you think these rates of 15 to 24 per cent interest operate heavily with regard to the repaying capacity of the borrowing ryot?

A.—Twelve to 15 per cent is not much, but 24 per cent seems to be very heavy.

Q.—Is there any difference as regards short-term loans as distinguished from loans for long terms taken with a view to clear existing prior debts?

A.—No.

Q.—Do you think in the ordinary villages in Bellary, leaving apart the towns, there is sufficient capital with the money-lenders and the Vaisyas to finance the general needs of the local agriculturists?

A.—No.

Q.—Then do you suggest that the villagers go to borrow from others than the local sowcars?

A.—Surely.

Q.—Is it that the villagers themselves go or the sowcars who finance them go and get from other sowcars in the towns?

A.—It is the sowcars who go and get the money.

Q.—Has the sowcar facilities for credit to finance him for the purposes of lending in the villages?

A.—There is not much credit facility, that is the difficulty.

Q.—Is there co-operation between the local sowcars and the principal financiers in the towns?

A.—Only to a very limited extent.

Q.—At what rate do these village financiers borrow in the towns?

A.—If they borrow at 12 per cent they lend it at 18 per cent. They keep a margin of four to eight annas.

Q.—Do you consider these sowcars as harsh or do they serve any useful purpose in the village economy?

A.—They are not so hard as is generally thought.

Q.—Is there a demand in the villages to have some other kind of agency to finance them than the sowcar or the Vaisya merchants or money-lenders?

A.—There is no demand and none do exist.

Q.—What about repayment of loans? Are lands passing into the hands of persons who lend money or are the loans being repaid. What is the general tendency during the last ten years?

A.—In some instances the lands might have passed into the hands of the lenders. But the banker is not anxious to go in for land. What he wants only is interest in cash.

Q.—You are a vakil also?

A.—Yes.

Q.—What has been your experience of court sales? Have lands been sold for low prices?

A.—Generally the prices obtained are low and inadequate.

Q.—What do you think is the reason?

A.—The reason is that the court sales are held before the court and away from the site of the lands and from the village. The ryots who want to bid have to incur so much of expense in going to the court and bid at the auction. If the sales are held in the village where the lands are situated then the prices obtained will be fair.

Q.—You told us that co-operative societies are increasing. What is the rate at which they lend to the ryot?

A.—Between 8 and 9 per cent.

Q.—Is not repayment to be made punctually once in a year?

A.—Yes, at the time of the harvest, once in a year.

Q.—What has been your experience regarding repayments? Have they been punctual and are there much overdues?

A.—There are large overdues, but it is mainly due to inefficient management and inexperience of the officials.

Q.—Have the seasons also contributed in any way towards the overdues?

A.—I do not think that bad seasons have contributed in any way because the loan amounts are very small. In my opinion the contributory thing is inefficient management.

Q.—If the executive of the society are very vigilant and do their duty efficiently you do not expect any overdues?

A.—I do not expect a pie of overdues.

Q.—In cases where co-operative societies exist has there been a tendency for the rates charged by them to come down?

A.—No. The co-operative societies lend only small sums and their loans are small compared with the indebtedness of the village.

Q.—So you say that if a ryot is indebted, only for a very small amount he is able to get credit for from the co-operative society and for the balance he has to depend on the village money-lender? What remedy do you suggest?

A.—Yes. My remedy is that larger loans ought to be given if there is good security.

Q.—What is the maximum borrowing power for an individual here?

A.—About Rs. 500 in this district, or eight times the paid-up share capital.

Q.—You told us that in spite of the co-operative societies the rates of interest charged by the money-lenders are the same as before. Could you suggest any method by which the rate of interest could be brought lower?

A.—I think land mortgage banks can be started in a central place in each district.

Q.—Do you suggest that the maximum borrowing power in the case of a co-operative society be raised or left as it is?

A.—It can be left as it is in the villages with a separate scheme for urban areas.

Q.—So far as the ordinary co-operative society is concerned you do not advocate an increase in the borrowing power of the members?

A.—It might be increased to Rs. 2,000 or Rs. 3,000. In bigger centres the borrowing power may even be fixed at Rs. 5,000.

Q.—Do you advocate the opening of land mortgage banks?

A.—Yes.

Q.—How will it help the ryot?

A.—He could borrow upon the security of land and at a lower rate of interest, repayable in small instalments over a long period of years.

Q.—You say that Bellary is one of those regions where you do not have sufficient rainfall and a larger proportion of bad years succeed good years. In such circumstances how can you expect punctual repayments?

A.—Even in bad years the loans could be repaid punctually. Now the takavi loans are being repaid regularly and similarly the loan instalments of the land mortgage banks can be repaid punctually and regularly.

Q.—Do not the co-operative society charge a penal rate of interest if the amount is not repaid on the due date?

A.—Yes. They charge 12½ per cent interest.

Q.—Do the village money-lenders wait for good seasons to collect the loans advanced in bad years?

A.—They do their best to collect the amount during that year itself.

Q.—Do they charge any penal interest?

A.—Generally no.

Q.—What will you consider to be an ordinary economic holding, i.e., a holding which will enable a cultivator to live with his family with some degree of comfort?

A.—About ten acres of dry land.

Mr. Thomas: What will be its annual income?

A.—About Rs. 120.

Mr. Muniswami Naidu: In an ordinary village how many out of 100 persons will have more than or as much as 10 acres of land?

A.—About 50 per cent.

Q.—What do you consider to be the average indebtedness of these tenants?

A.—On the average about Rs. 100.

Q.—Do people take to the extravagant habit of spending money on marriages?

A.—I do not think so.

Q.—You referred to insolvency proceedings. Is it being largely resorted to in the villages?

A.—Yes, by the villagers nowadays.

Q.—Is it a growing evil now or has it been in existence for a number of years?

A.—It is only growing now.

Q.—Is it that they are not able to repay the loans or is it due to a mischievous intention to defraud others?

A.—It is not due to a mischievous intention to defraud others but inability to repay the loans.

Q.—You told us that people do not indulge in extravagant luxuries and expenditure on marriages, etc. You told us that the average holding of ten acres will normally support an agriculturist's family. You told us also that his debt is only Rs. 100 on the average and that he is capable of repaying it. Then how is it that insolvencies have become more frequent?

A.—The ordinary ryot keeping to his occupation does not resort to insolvency. It is only those who take to speculative trading that do declare insolvency.

Q.—Do people take to improvements of land by sinking wells?

A.—There is not much of well cultivation here. If the Government leads the way by giving expert advice and conducting experiments in digging and so on then well cultivation can be increased to a great extent.

Q.—Is there scope for digging wells here?

A.—There is much scope for digging wells in Hagari borders as well as in Rayadrug taluk.

The Chairman: You are having experimental survey of water-supply underground in this district. Have you come in personal touch with any such experiment?

A.—I have seen experimental borings made.

Q.—Is the water obtained sufficient?

A.—I do not think it is sufficient for cultivation purposes.

Q.—Are there any other improvements which the agriculturists take to in respect of their lands of a capital nature?

A.—In this taluk practically nil. But on the banks of the Hagari river the ryots dig wells and carry on cultivation.

Q.—So there is not much scope for Land Improvement Loans Act here apart from digging wells?

A.—There is not much scope.

Q.—Do people cultivate their own land here generally or do they lease their land out for cultivation by others?

A.—They cultivate their own lands except the inam lands belonging to the Brahmans which are generally leased out to others for cultivation.

Q.—Is there migration of labour from this district?

A.—There was just some two years ago, but now there is not much.

Mr. Thomas: Where do they go to?

A.—They went to Assam Tea Estates. There was one depot here also but it is closed now.

Mr. Muniswami Nayudu: which is the sort of people who migrate? Is it the landless labourers or those who owned land formerly but who have not got lands now?

A.—It is the landless class, the poor labourers.

Q.—In the villages are there any other by-industries to enable the agriculturists to supplement their income?

A.—Except weaving and spinning I do not think there are any.

Q.—What about the cumbli industry?

A.—Only in some parts of Rayadrug and Harpanahalli taluks, also in some parts near Kudithani.

Q.—Do you know how the produce is marketed and the facilities for marketing?

A.—There is no facility except that each individual has his own merchant to whom the produce is taken.

Q.—Is it the case that the merchant from the town goes to the cultivator to buy the produce or that the cultivator goes and sells it to the merchant?

A.—If the ryot is a very poor man he sells his produce locally or if the ryot has got more produce he takes it to the town and sells it.

Q.—So there are two ways?

A.—Yes..

Q.—Do you think that there is scope for co-operative societies which will deal with the produce of these poor ryots, gather and sell it at the best market?

A.—I think that co-operative societies efficiently managed and with a better organization can help the ryot a good deal.

Q.—Is the present financing done by co-operative societies adequate?

A.—Some facilities are granted but not enough.

Q.—The Imperial Bank had been giving overdraft to the central banks. There has recently been a change. Are you aware of that change? Do you consider that change a hardship?

A.—Really it is a hardship. If they do not give credit to the society or the bank, then it is a hardship. Ready money is what is wanted.

Q.—What is it that the Imperial Bank wants now?

A.—They want some security.

Q.—Do you find that the village Reddis are the influential people taking part in the co-operative societies in places where they are started?

A.—In some cases it is so.

Q.—Do they deposit also in the co-operative societies?

A.—So far as I am aware the deposits are being taken in the town bank.

Q.—Not in rural societies?

A.—No. The system has not advanced much and good faith has not yet been created.

Q.—Now, suppose a land mortgage bank is started here. Do you think that sufficient capital will flow in by way of debentures?

A.—Surely it will flow in if there is Government guarantee.

Q.—What is the guarantee that you expect of the Government?

A.—The Government should guarantee the repayment of the loan or the payment of the interest.

Q.—I think the Government recently undertook to give a guarantee of 6 per cent interest on all debentures taken within a period of five years to help as much as possible the capital to flow in. Do you think with that guarantee a sufficient amount will flow in from a district like yours?

A.—Yes.

Q.—For 6 per cent interest?

A.—Yes.

Q.—Do you contemplate the possibility of the elimination of the village capitalists, the Vaisyas and the landlords in course of time by the number of co-operative societies being increased and the land mortgage bank coming into existence?

A.—Surely they will be affected to a very great extent.

Mr. Thomas: Is it in the interests of the community that you should reduce the number of the indigenous money-lenders?

A.—Yes.

Q.—Is it not rather better to leave them alone and make them more serviceable to the community?

A.—They will surely be serviceable to the community in cases of need by making use of their capital for some other purposes.

Mr. Muniswami Nayudu: The money-lending classes are mostly Vaisyas?

A.—Yes.

Q.—Do you think they will subject themselves to any sort of control by the Government in return for any help that the Government may offer them? Do you think that they would like being registered as money-lenders and subjected to periodical inspections?

A.—Oh, yes.

Q.—They would welcome a proposal of this sort?

A.—Yes.

Mr. Thomas: Do you speak also for the Marwari money-lenders in this matter?

A.—Yes. All will agree provided the scheme is successfully worked.

Mr. Muniswami Nayudu: With regard to the recovery of loans by the private money-lenders, have you any suggestions to make for the easy recovery of the loans? Do you not think that the present system of recovery is retarding their enthusiasm to lend money?

A.—As a vakil I must say that they are embarrassed to a very great extent on account of the Insolvency Act.

Q.—But does it take a long time to recover the debt through courts?

A.—If the debt is on pro-notes and bonds, it does not require much time. If it is on mortgage bonds, it is a very tortuous procedure and it will take a long time, even a number of years before anything could be had.

Q.—But have you any suggestions to simplify the procedure and to make it possible for the money-lender to recover quickly?

A.—I do not think I have got any suggestions to make. It all depends upon the men themselves. In some cases they are able to recover quickly.

Mr. Thomas: From your experience can you tell us what proportion of the mortgages result in sale of lands?

A.—I think it is only in a very few cases. Generally the debtor pays up.

Q.—So there is no necessity to go to court in many cases?

A.—They go to court. But it is only about 2 to 3 per cent that go to court.

Q.—In the other cases?

A.—The majority of the ryots pay up their debts.

Q.—Have not the failure of crops and want of funds led to a lot of mortgages?

A.—Even after the lands are mortgaged, from the produce in good seasons the debts will be cleared.

Q.—Is there a tendency for the lands to pass from the ryots to the professional people such as the lawyers, the teachers and others who live in towns?

A.—No such idea exists in their minds. They have no mind to acquire the lands.

Q.—Do the money-lenders prefer to have money or to have the land?

A.—They prefer to have fluid money.

Q.—They would rather not have the land and make somebody else buy it?

A.—Yes. The money-lender wants to be rich by means of lending money, and so he wants fluid money with him.

Q.—You were speaking of laxity in collection in the co-operative societies. Is it more the case with long-term loans than with the short-term loans?

A.—The question is not one of long-term or short-term loans. The collections are not vigilantly made. The tendency of the treasurer, the secretary and the president would be to allow the debtor to continue not to pay because of many influences.

Q.—Is the disinclination due to the bad quality of the land in the district or is it due to the fact that they do not want to own any land?

A.—They do not want to own land. That is all. They want to be purely money-lenders.

Q.—Is it more and more paying to be solely a money-lender?

A.—It is because they are accustomed to that line of business.

Q.—You are the President of a building society?

A.—Yes.

Q.—What is the nature of the work you are doing?

A.—We get a loan from the Government. Four times the share capital is obtained as loan from the Government. All this amount is lent to the members for building houses or other buildings, and the buildings are registered in the name of the society and the collection is made either by monthly instalments or yearly instalments.

Q.—In how many years is the payment made?

A.—20 years.

Q.—How many have borrowed from your society?

A.—23.

Q.—Have they been regular in their payments?

A.—Yes, because they knew full well that no time would be given to them.

Q.—Are these professional people living in the town?

A.—I do not think that there is any professional man.

Q.—What classes of people are they?

A.—Clerks.

Q.—Are they Government servants?

A.—Yes. There are also some landholders.

Q.—Is there a great demand for such house building loans?

A.—There is a great demand. We have got now the full loan granted and there is plenty of scope for further extension of such loans. We are just waiting to see the present loans to be cleared.

Q.—That is why you are not giving any more loans?

A.—Yes.

The Chairman: With reference to the co-operative loan you suggested that the secretary and the president of the society do not press the members to repay. What is the reason for their not pressing?

A.—It is because they are interested in the borrowers. For some reason or other they do not want to press them for repayment of the loan.

Q.—They are under a misguided idea that they are helping them by not forcing them to pay?

A.—Yes. The unions also are not functioning properly.

Q.—Why?

A.—Because the office-bearers are not paid their travelling allowance and their batta. Why should they do honorary work?

Q.—The union pays for the supervisor?

A.—Yes, but the pay is very little and he has no control over the office-bearers of the society. There is no use of having such a supervision.

Q.—What is he paid?

A.—Rs. 30. But the Reddi who is generally the Secretary or the President is all powerful, and would never be amenable to the supervisor. But he certainly feeds him very well and then sends him away. I think that to supervise these societies you should have a man of the grade of an Inspector.

Q.—Do you know that the Inspector is paid only Rs. 40?

A.—But then he has got the credit of the Government behind him.

Q.—Your point is not quite clear. I do not understand why in this area they do not repay and why in other areas they do?

A.—Most of the people here are illiterate. The first thing is that illiteracy is prevailing to a large extent in this district, especially in the Ceded districts it is so. The people do not know their responsibility and the low-paid supervisor when he goes to the village cannot control the Secretary or the President who will be all powerful. If only a man of the Inspector's grade coming from the co-operative office were to go and supervise, then surely every pie will be collected. What is the meaning of all Government loans being collected while this is not collected? All the revenue is collected by an ordinary petty karnam. They pay other money-lenders also.

Q.—If you press them to repay the co-operative societies, do they borrow from the sowcars?

A.—I do not think that there is any such necessity to borrow from the sowcars for all these small sums.

Q.—The repayment is at the time of the harvest?

A.—Yes. They are generally looking forward to the crop and the repayment is only after the harvest.

Q.—In May and June I think there is a very light demand?

A.—Yes. April and May would be the proper time here, and in some other places like Adoni it will be about December and January. The dates have to be varied according to the needs of the country.

Q.—Have you any idea of what amount is overdue on takavi loans?

A.—I have no idea. But one thing I can say and that is that they are collected unless the collections are suspended.

Q.—You suggested that there is great scope for wells along the Hagari. But will the sinking of wells not affect vested interest seriously? There are a number of spring channels, are there not?

A.—But even then there is great scope for development.

Q.—Look at it this way. There is a limited quantity of water coming down the Hagari river. It has a slow flow and channels are dug down to the level of the water and it is tapped at various places. There are a number of these wells and spring channels already on the Hagari river?

A.—There are only a very few channels.

Q.—And there are a certain number of wells?

A.—There is not much of well cultivation.

Q.—Do you have plenty of water in the river?

A.—Yes, there is plenty of water.

Q.—The water-supply to Bellary generally falls short in the hot weather, does it not?

A.—No. I think there is excess of water now.

Q.—In the hot weather?

A.—Even in the hot weather there will be excess of water, and they are extending the water-supply now. With reference to this I would say there is no central organization controlling the Departments of Agriculture, Co-operation and Industries, which want to act independently of each other.

Q.—Is there not the Government?

A.—There is the Government. But then the Agricultural Department does not want to co-operate with the Co-operative Department and both these departments do not want to co-operate with the Industries Department. I told them that I will give away my field to be attended to by an officer of the Agricultural Department for a year and then take back the land and pay the expenses incurred for constructing a well and for putting up a pump and other things. But nobody takes the responsibility. I do not think that the Government has got any central organization to take up such work.

Q.—That is beside the point. The digging of wells on the Hagari banks has now been given up owing to the existence of vested interests which are likely to be affected if more water is to be tapped. Is that not so?

A.—Leaving those areas where there is a prohibition there is still an extent of forty miles where the wells can be sunk.

Q.—That means that you will go a bit high?

A.—Not necessarily.

Q.—What I am suggesting is that the amount of the water itself is very limited. Is that not so?

A.—No, Sir. Every six months there is rain and consequently there is a perennial supply of water.

Q.—But it means that we have to go a little bit higher and not down the river?

A.—Yes.

Q.—I think the Industries Department has been carrying out a general survey. Is it not so?

A.—No, not in this district. The Boring Department has specially come into existence for a period of two or three years. It is boring and making a general survey of the water-supply.

Q.—At various places there is plenty of water but the people do not take advantage of that. Is that so?

A.—I have no information. My only information is that there is great scope on the banks of the Hagari river for digging wells and using pumps.

My final opinion is that land banks may be introduced just like the Imperial Bank advancing cash credit.

Q.—About that you suggest that the ryots get enough money about once in five years to pay off their debts. How will they be able to pay annually?

A.—It is only a twentieth or other fraction that they have to pay and they will be able to pay that.

Q.—If it is a good yield it will be well and good. But that is only once in five years. How will they pay in the years when there is no good yield?

A.—They will surely pay because the interest in this case is low. If they go to a private money-lender they will have to pay 15 per cent even whereas in this case the interest is only 9 per cent.

Q.—Nine per cent will be more than half the value of the full average crop. will it not?

A.—It is only in cases where the value of the land is sufficiently rich and it is only in cases where you can have the assistance of the land mortgage bank.

Q.—If the amount is going to be so small that it can be repaid every year I do not see the necessity for the land mortgage bank?

A.—I did not say it is small.

Q.—In a land mortgage bank the payments must be made regularly every year, because the debenture holders have to be paid. But that cannot be done with a very small amount because you are dealing with a heavy indebtedness which can be cleared only once in five years. Do you not think so?

A.—The indebtedness of the ryots might be ascertained and only such of them as are rich enough might be helped.

Mr. Muniswami Nayudu: You have in view those people who have large sums to be repaid in instalments spread over a long period and who have not only their lands to fall back upon but also something else?

A.—Yes.

Q.—But it will touch only a small number?

A.—Let us see for some time how it works.

Q.—When you speak of the whole, will you be able to lend to the man having five acres of land by means of a bank in Bellary?

A.—It could possibly be done because the Imperial Bank is able to lend after ascertaining the credit of the man. The same thing the land mortgage bank can also do. They have their own organizations. The Imperial Bank here lends upon the goods in Harpanahalli, Hospet and other places.

Q.—Who will have control over it?

A.—There must be some control to ascertain all these things.

Q.—For the whole district?

A.—There must be a central organization having the whole district under its jurisdiction.

Q.—How is it to be done?

A.—In the same way as the Imperial Bank.

Q.—They are not going to any very long distance. It is only short-term loans that they give on produce kept in their custody. But here is it not different?

A.—We have got Government organizations. The Tahsildar can be asked to attend to this also. That is my opinion. For my part I would say that to a certain extent this may be tried in a certain division first for some time.

Mr. Thomas: In regard to takavi loans, are the instalments regularly paid?

A.—Since they are a charge on the land the payment is regular. Similarly even in the case of the land mortgage bank if the payment is made compulsory, surely the money will be got. The property can be valued at 40 or 50 per cent of its real worth for the purpose of giving the loans. I think that much indebtedness could be reduced by the institution of the land mortgage bank.

(The witness then withdrew.)

Thursday, 16th January 1930.

BELLARY.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

**Rao Sahib JONNALAGADA PAPAYYA SETTY, Merchant,
Bellary, and Mr. SIVA CHEBNA BASAPPA, Merchant
and Municipal Councillor, Bellary.**

Oral evidence.

Mr. Gopala Menon : Both of you are merchants in the city of Bellary?

A.—Yes.

Q.—May I know what are your important lines of business?

A.—Banking and commission agency. We advance money to the ryots, we get produce from the ryots and sell it in the market.

Q.—Are both of you doing that business?

A.—Yes.

Q.—So both of you are mixing banking business with trade?

A.—Yes.

Q.—By saying banking business, I wish to know whether it is money-lending only?

A.—Yes.

Q.—I suppose you lend out your own capital?

A.—Yes.

Q.—Do you receive deposits from the public?

A.—We do not receive any deposits. We do not also borrow.

Q.—So you are entirely money-lenders for purposes of your trade?

A.—Yes.

Q.—You know who is a banker, one who receives money at a lower rate and lends it again at a higher rate, the difference between the two rates constituting his profit. Are you a banker in that sense?

A.—No.

Q.—Do you help your constituents in the transmission of money from one place to another, either inside the district or to places outside the district?

A.—Yes, we do.

Q.—How do you do it?

A.—By drawing hundis.

Q.—On whom?

A.—On merchants there.

Q.—So you draw hundis on your agents in the mufassal in favour of this man. Does he cash that hundi in the town or does he send it to the mufassal for collection?

A.—He collects it from the town and he cashes it as per his conveniences.

Q.—Can you tell us approximately the volume of hundi transmission business that you do in one year?

A.—One lakh of rupees.

Q.—So you are helping trade in that way?

A.—Yes.

Q.—You are dalals for purposes of buying produce and selling it. Is it done on behalf of the ryots?

A.—Yes, on behalf of the ryots.

Q.—What is the system by which you do business? How do you deal with the ryots?

A.—The ryots bring the produce. To some of them I advance money beforehand. These goods I sell in the market. I find purchasers and ask them to quote a price. They purchase the goods and pay me money after 15 days. As soon as the delivery is given to the purchaser, the value of the goods will be credited to the account of the ryot who brings the goods or I pay him then after deducting my commission.

Q.—So has the ryot to wait here for those 15 days?

A.—As soon as the sale is struck he is paid.

Q.—You say you advance money even before the produce is brought to town. Is it done before the harvest time or just after harvest?

A.—Before harvest time.

Q.—On what kinds of produce?

A.—Jaggery, cholam, cotton and groundnut.

Q.—Where do you sell these things, is it locally?

A.—Yes, here locally.

Q.—Do you make forward contracts with outside agencies for cotton and groundnut?

A.—We give forward contracts to Messrs. Volkart and Ralli Brothers with the consent of the ryots. Sometimes we give it on our own risk, but that is very rare.

Q.—Is it because that you have to take greater risk that you do not do it?

A.—Yes.

Q.—Do you think that there will be large fluctuations in price immediately after the harvest and two or three months afterwards. What has been your experience in the past in this respect?

A.—For the last five years my experience is that the rates are very high at the time of the harvest and afterwards they fall down.

Q.—Is it due to competition on the part of the buyers?

A.—I think so.

Mr. Thomas: In what commodities?

A.—In cholam, groundnuts and cotton.

Mr. Gopal Menon: Who are the buyers of groundnut here just now?

A.—Messrs. Ralli Bros. and Volkart Bros. There are many Indian merchants also. They buy and export it to Bombay.

Q.—You know early last year there was a big failure of a groundnut merchant?

A.—Yes, the failure of Messrs. C. K. N. Bros.

Q.—Do you think the market price of groundnut has been affected very much by that failure?

A.—Yes, the market has been severely affected by the above failure.

Q.—What is the rate of commission that you charge?

A.—On groundnut we take six pies, four pies for commission and two pies for interest.

Q.—What is the period for which you charge interest?

A.—When we sell groundnut, we get the money for that from the purchasers only 40 days afterwards, but we pay the ryots immediately. So we include the interest for 40 days.

The Chairman: You pay the ryot in cash or in bills?

A.—Not in bills, but cash.

Mr. Gopala Menon : What is the total amount of your commission business in one year?

A.—The total volume of my transactions is from 5 to 6 lakhs of rupees.

Q.—How many such dalals are there in this district?

A.—There are many.

Q.—Are there any similar dalals who go into the villages and buy the produce from the ryots direct?

A.—There are.

Q.—Do they get much higher commission?

A.—I do not think.

Q.—Do any of these take the produce from the ryots on credit and afterwards sell it to people here?

A.—There are so many.

Q.—Do they make any extra commission?

A.—Yes.

Q.—Have you met with in the last few years any competition in your line of business from any other financing agency?

A.—Yes.

Q.—There is the co-operative society doing the loan and sale business. Do they do much business of this kind?

A.—Their business is only on a small scale. Their presence has not affected the dalals, at least not in Bellary. The main reason for that is that the dalal advances the money before the crop is sown and this compels the ryot to bring the produce to him only for sale.

Q.—May I ask a plain question? By making advances to the ryot much earlier than the harvest time, when the seeds are in the field, do the ryots make the maximum price out of the produce?

A.—Yes.

Q.—Are these advances taken for cultivation expenses only or for any other purpose also?

A.—For all sorts of purposes.

Q.—Have you at any time noticed whether the ryot uses the money for the purpose for which he borrowed it?

A.—It is very difficult to answer that. I cannot say.

Q.—Do you think they are mixing up the purposes?

A.—Yes, they are mixing.

Q.—They spend it indiscriminately?

A.—Yes.

Q.—Is it because of that they are not able to make the best that they can out of the produce?

A.—I think so.

Q.—You are also in the cotton market I believe?

A.—Yes.

Q.—Have you any experience of the organization of the cotton market in this place? Have you any experience of the organization of the cotton market in Berar?

A.—No.

Q.—Suppose as a result of this enquiry an association of dalals is going to be formed. I do not think you will have any objection to it?

A.—Certainly not. We will welcome it.

Q.—Probably then you will be licensed dalals. You have no objection to dalals being licensed?

A.—No. Not at all.

The Chairman : There is a slack season, is there not?

A.—Yes.

Q.—Is your lending rate at that time also the same?

A.—Yes. the same rate throughout the year.

Q.—You work on your own capital?

A.—Yes.

Q.—Do all dalals work on their own capital?

A.—There are so many who borrow capital. Very few work on their own capital.

Q.—Where do they borrow from?

A.—From banks, Multanis and Marwaris.

Q.—After the harvest for the first few months the ryots do not borrow. Is that not so?

A.—Yes, they do not borrow.

Q.—During that period money remains idle with you, it is slack season for your capital?

A.—Yes.

Q.—There is no reduction in the rate of interest during that period?

A.—No.

Q.—Does the money remain idle with you or do you invest it elsewhere?

A.—Some amount we give to the Marwaris and some amount lies idle with us.

Q.—Those who had borrowed from the Marwaris repay at that time to them. Is that so?

A.—Yes.

Q.—Do the Marwaris take deposits?

A.—No.

Q.—The ryot borrows on the security of the crop. What happens if the ryot does not get the crop, that is if the crop fails?

A.—He will get a pro-note executed by the ryot and also try to get a mortgage of the lands of the ryot.

Q.—You are bound to give him a further loan so that he may raise another crop to repay the first loan. Is that so?

A.—Yes.

Q.—Are many dalals land-holders also?

A.—Some are.

Q.—Are there any ryots here who are also merchants?

A.—Some of the ryots have come and settled here. They are the land-holders. They advance money also.

Q.—Do you advance money to the village money-lender?

A.—We lend to him also.

Q.—On what security?

A.—On personal security, or on pro-note.

Q.—Is the pro-note joint or single?

A.—It depends on the status of the borrower.

Q.—Does the village money-lender lend to the small ryot on the condition that the crop should be sold to him?

A.—It is not usual. Some stipulate that condition.

Q.—When the village sowcar gets the loan, does he bring it to you for sale?

A.—Yes.

Q.—In such case there is a double commission on the same crop?

A.—Yes, but one is not exactly commission. The village sowcar takes the produce at a low rate which is less than the market rate. That is all.

Q.—Do the bigger ryots come to the dalal direct?

A.—Yes.

Q.—How far does a dalal's business extend? Does it extend up to 5 miles radius?

A.—It extends to a radius of 40 miles.

Q.—Are you dealing direct with ryots even 40 miles away?

A.—Yes.

Q.—Are there dalals at Hospet and Rayadrug?

A.—Yes.

Q.—Do the dalals compete with each other?

A.—Yes.

Q.—This system applies to the whole of the Ceded districts?

A.—Yes, except in Adoni for cotton, where the ryots bring the cotton to the town.

Q.—Do the dalals there advance money to the ryots for cotton?

A.—No.

Q.—Are there godowns at Bellary?

A.—There are. These godown-keepers act as commission agents also and the ryots take the produce also to them.

Q.—Does the ryot pay them the godown rent, the insurance charges and the commission?

A.—Yes.

Q.—Is the produce graded?

A.—Yes.

Q.—How does the ryot finance his crops in the Adoni area where there are no dalals?

A.—There also there are small dalals. No one advances anything to the ryot for cotton but they pay advance for other crops and the ryot uses these advances for purposes of growing cotton also.

Q.—Then where does the Marwari come in? He is financing a large amount of business?

A.—The Marwaris give loans to merchants only and not to ryots.

Q.—Where do these Marwaris get their money from?

A.—From Rajputana.

Q.—Is there a branch of the Imperial Bank here?

A.—Yes.

Q.—Do they do any business in this line?

A.—They give loans only on personal security and on produce stored in godowns.

Q.—How does the merchant to whom you sell the goods pay you?

A.—By getting money from the Imperial Bank.

Q.—How is the Imperial Bank paid?

A.—They have got some money with them and that amount they pay to the Imperial Bank and release a portion of the goods and then sell it and with those proceeds release some more of the goods and so on until the whole stock is cleared.

Q.—Do they not pay the Imperial Bank by a hundi drawn on the purchaser?

A.—Sometimes they do so. Sometimes they take a hand loan from the Marwaris and release the goods from the Imperial Bank.

Q.—Do Bombay people come in here to purchase cotton?

A.—Some of the merchants to whom we sell goods here are agents of Bombay firms or of some firms in Ahmedabad or Sholapur.

Q.—Are Japanese coming here for purchasing cotton?

A.—Yes.

Q.—Do the mills buy cotton through the dalals and then pledge it to the Imperial Bank and get an advance and buy more cotton?

A.—They do not do it. As soon as they purchase they take it away.

Q.—Is all this business in cotton in kapas?

A.—Yes.

Q.—Are there ginning mills in Bellary?

A.—Yes.

Q.—When is the cotton ginned?

A.—Generally after the merchant buys. Some big ryots also sometimes take the cotton to the ginneries direct.

Q.—Is the Cotton Transport Act worked here actively?

A.—It is not being actively worked.

Q.—Is there a large importation of cotton from Hyderabad?

A.—No. But stealthily some quantity comes in.

Q.—Is it brought in for purposes of adulteration?

A.—Yes. That is the purpose for which it is brought. We do not mix, it is generally the big firms who do it.

Q.—Are all these dalals both bankers and traders?

A.—Yes.

Q.—Which part of their business is more important?

A.—It is only for getting produce that we advance money.

Q.—Do you not think that a man who does both these businesses ultimately becomes a money-lender?

A.—Yes, naturally it reduces him in the long run to a mere money-lender. I know that by combining both we are weakening ourselves.

Q.—Have there been any failures of dalals?

A.—Yes. This year it is hopeless. Nearly a dozen dalals have already declared insolvency.

Q.—Why is it? Is there no good crop this year?

A.—This year the crop is a thorough failure. On the face of it it seems good, but the yield is very very low.

Mr. Thomas: Do you get a commission from the ryots on whose behalf you sell?

A.—Yes.

Q.—You get also a commission from the purchasers?

A.—Yes.

Q.—So you get commission from both?

A.—Yes, except in cotton where we get commission from the sellers only.

Q.—What commission do you get?

A.—About 4 per cent. In cotton we get about Rs. 2 for 12 maunds costing approximately Rs. 120.

Q.—How much does the godown rent come to?

A.—For these 12 maunds it will come to three or four annas.

Q.—Do you levy any other charge?

A.—No.

Q.—Are the dalals merely intermediaries between the seller and the buyer or do you buy on your own account?

A.—We sell on behalf of the ryots; that is all.

Q.—Do the dalals purchase cotton?

A.—They do not. They store it in their godowns and when the agent of the mill or any other firm comes they sell it to him and get their commission.

Q.—Do these agents purchase from the ryots direct?

A.—They generally purchase from the dalas and merchants. If they get from the ryots they purchase also that.

Q.—Is there any feeling amongst the mercantile class against the dalals?

A.—I have not heard of any such feeling.

Q.—Do these ryots who go directly to the firms get a higher price?

A.—No.

Q.—Are you in a position to get produce from those ryots to whom you do not advance money?

A.—We get some business. The loan and sale society does not advance any money. Still they get business.

Q.—Is there a feeling amongst the ryots that the weights you use are not proper?

A.—No.

Q.—Suppose the dalals are to be licensed. Will you like that?

A.—I will welcome that step.

Q.—When you advance money to the ryot what rate of interest do you charge?

A.—One per cent per month.

Q.—Do your transactions with the ryots end in the transfer of land or sale of land?

A.—Yes, sometimes.

Q.—Out of one hundred cases in how many cases have you got to sue?

A.—In 10 per cent.

Q.—What percentage out of that lead to sale of land?

A.—Four or five per cent, that is all.

Q.—Do you have any dealings with the Imperial Bank?

A.—Yes.

Q.—Have you any overdraft account there?

A.—In their Bellary branch there is no overdraft account.

Q.—You had no occasion to raise produce loans from the bank?

A.—No. My money is lying there idle.

Q.—Do you think that it is fair to take commission from both the purchaser and the seller?

A.—It is the custom and we have to get on.

Q.—You said that some of the dalals have to borrow money for advancing to the ryots. On what terms do they get money now?

A.—We get money from the Marwaris and the Imperial Bank. But we prefer the Marwaris because the amount is lent either on kutha or mere pro-note, whereas in the case of the Imperial Bank we want two sureties, and it is very difficult to get two persons whom they approve.

Q.—What is the rate of interest that you pay to the Marwaris?

A.—Rs. 1-4-0 to Rs. 1-8-0.

Q.—Why do you not go to the Imperial Bank where the rate is much lower?

A.—It is very difficult to get from them.

Q.—Do you use cheques?

A.—Yes.

Q.—Among the dalals what percentage have bank accounts and draw cheques?

A.—Not very many.

Q.—In Adoni what is the function of a dalal like you? What does he do there?

A.—Except in cotton they do the same business as we are doing here. In the case of cotton the ryots take it direct to the market.

Q.—How do you sell your produce? Is it by auction or by negotiation?

A.—In some cases we auction especially on shandy days in front of our shops, sometimes we negotiate as regards the sale price.

Q.—Is it not better to have a fixed place where your sales could be effected?

A.—Yes, it would be very good.

(The witnesses then withdrew.)

Friday, the 17th January 1930.

BELLARY.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIK SAHIB Bahadur.

M.R.Ey. Rao Sahib JAMPALA VENKATESAM CHOUDHARI
Garu, Deputy Registrar, Bellary.

Oral evidence.

Mr. Thomas: Mr. Choudhari, you say that a higher rate of interest is charged on nagu loans. What is the rate?

A.—It will be about 50 per cent. It is generally calculated in kind.

Q.—Is it in the case of seed loans?

A.—Even for food grains and other purposes.

Q.—It is not true of loans in money?

A.—No, not for loans in money.

Q.—Is there much of overdues in the co-operative societies in these parts?

A.—Yes, there are.

Q.—Have they been mounting up lately?

A.—Yes. But last year they were reduced to certain extent.

Q.—Since then?

A.—This year also we hope to reduce it further.

Q.—Are long-term loans given by co-operative societies in these parts?

A.—Yes.

Q.—For what period?

A.—Generally for five years.

Q.—Are there more overdues in respect of these five-year loans or is it the other way?

A.—Generally in long-term loans the overdues are greater.

Q.—Do you think that such loans are the right kind of business for co-operative societies?

A.—I do not think so. Co-operative societies of the kind we have should not grant loans for long periods.

Q.—What is the proper period of granting loans from a co-operative society?

A.—For one year so that the amount may be repaid at the next harvest.

Q.—Land mortgage banks are supposed to lend for long terms and co-operative societies for short terms. What is the agency that will take up 'intermediate' loans?

A.—These intermediate loans may also be granted by co-operative societies, but not to the extent to which land mortgage banks give.

Q.—Do you think any special provisions should be made for such loans?

A.—Co-operative societies are now encouraging only short-term loans. If there is any demand for intermediate loans, they should be granted very sparingly. The provincial bank does not give long-term loans to the central banks and they in their turn are not encouraging the grant of such loans to primary societies.

Q.—Is there any tendency among money-lenders to join co-operative societies and to get rid of their bad debts?

A.—We have noticed some instances here and there.

Q.—Has it been discouraged?

A.—We are discouraging it.

Q.—Effectively?

A.—We are taking steps as far as possible.

Q.—Is there sufficient facility now for remitting money for effectively carrying on inland trade? I speak chiefly of the smaller man as the bigger merchants are helped by the Imperial Bank. In the case of such people are there sufficient facilities for internal remittance?

A.—Co-operative societies are not doing that work now.

Q.—Do they cash bills?

A.—Small societies do not do that, but some central banks are doing that business.

Q.—Is that business the proper kind of business for a central bank to do?

A.—I think so, provided the transactions are restricted to the members of the society.

Q.—Do you think that if the central bank takes up this business it will materially curtail or interfere with the business of other banks?

A.—If it is done on a large scale it is likely to interfere. But the number of members of co-operative societies doing the business is small, and these members are not likely to go to the Imperial Bank or other big joint-stock banks. Hence the business of such banks is not so much likely to be affected.

Q.—What are the facilities that should be given to the central bank for carrying on such work?

A.—So far as my information goes, central banks are misusing this by doing this kind of work for non-members also.

Q.—Would it be of any use if bills of exchange in the vernacular are introduced?

A.—I think vernacular bills of exchange may be used with advantage. But so far we have received no complaints.

Q.—Is there a loan and sale society in this town?

A.—Yes.

Q.—To what extent is it carrying on business?

A.—Last year the transactions amounted to Rs. 90,000.

Q.—Has it been progressing?

A.—Yes.

Q.—What are the impediments standing in the way of further extending co-operative marketing here?

A.—The members of the affiliated societies are not bringing their produce to the loan and sale society. They are taking it to the money-lenders because they already received advances from them.

Q.—Could not the loan and sale society advance such sums?

A.—Yes, it has to be done. If previous loans taken up from money-lenders are not paid back it will be difficult to get produce from the ryots.

The Chairman: Do you suggest that the loan and sale society should itself lend money to the cultivating ryots?

A.—It should not. The loan and sale society could give produce loans only. The affiliated societies can do it. If a beginning is made like that, gradually the affiliated societies will arrange for all the produce to be brought before the loan and sale society.

Mr. Thomas : Is it your experience that when the ryot takes a loan he uses it for the purpose for which he takes the loan?

A.—The panchayatdars take special care to supervise that the loan is utilized for the purpose for which it is borrowed.

Q.—Is it being done now?

A.—It is being done in some societies.

Mr. Muniswami Nayudu : Mr. Choudhari, can you tell us what is the proportion of the loans granted by a co-operative society in an ordinary village to that of the indebtedness of that village?

A.—I cannot say, because we restrict our loans to members only. Unless the residents of the whole village are members of the society we will not be able to know the total indebtedness of the village.

Q.—Do you not think that only a very small fraction of the indebtedness of the village is being financed by the co-operative society?

A.—The proportion is not much.

Q.—I hope you have some experience of the agricultural conditions in the villages. From whom is the demand for loans from the co-operative societies? Is it from the farmer or from the already indebted tenant?

A.—From the already indebted tenant.

Q.—You say many of these debts cannot be financed by the co-operative society?

A.—Yes. Long-term loans cannot be given by co-operative societies.

Q.—So these people are in the hands of the local money-lender?

A.—Yes.

Q.—From your experience can you say that the villagers have been able to repay the small sums borrowed from the society punctually?

A.—They do not generally pay punctually.

Q.—What is the reason?

A.—One of the main reasons is bad season. Secondly the member always prefers to discharge the loan to the sowcar first and then only that to the co-operative society.

Q.—So the produce is utilized first to pay off the money-lender. Is it?

A.—First the Government kist, then the money-lender and lastly the co-operative society.

Q.—When overdues increase do you not take coercive process to recover the amount?

A.—Yes.

Q.—What do the ryots do then? Do they go back to the money-lender for paying off the co-operative society's debt?

A.—Yes, if he cannot get the money otherwise, he will have to go to the money-lender.

Q.—You say that the money-lender takes the produce first. Then there is competition between the money-lender and the co-operative society. Is it not?

A.—When the ryot takes the loan from the money-lender there is the moral binding that his debt should be discharged first. That system has been in vogue for some considerable time. But if the co-operative society arranges at the time of granting the loan that its debts should be discharged first, then the ryot will do so.

Q.—Do you think from your experience that to a certain extent the villagers have been able to feel the responsibility of first paying the co-operative society and then only the money-lender?

A.—Now they are slowly realizing that fact.

Q.—In your written evidence you say "There is enough money available in co-operative banks to meet the short-term requirements of the members. But there is no demand from the members as they are in the habit of getting such short-term loans from the village sowcars." Do you think that even in cases where there are societies, people go to the sowcars?

A.—That was the case formerly, but during the last two years this is not so. There has been a gradual change.

Q.—Do you advocate the starting of land mortgage banks?

A.—Yes.

Q.—You also say that there are no prospects for the land mortgage banks in the Ceded districts. Why do you say that?

A.—Because we get more of bad seasons. There is also the question of punctual repayment of instalments which cannot be expected in the Ceded districts. It is better to try the scheme in a place where we can expect regular repayments.

Q.—Do you contemplate any area in the Bellary district where you can expect regular repayments?

A.—There are places but their area is very small.

Q.—Have you got any suggestions to make with regard to the constitution of land mortgage bank, especially with reference to the Ceded districts where you experience some difficulties regarding punctual repayments?

A.—Necessary changes can be made in the by-laws to the effect that the loans shall be granted in these districts for a longer period.

Q.—So your opinion is that in the Ceded districts the repayment should be covered over a longer period of years. How many years do you want?

A.—Thirty years.

Q.—Do you think it is possible to frame by-laws which will give a sort of elasticity with regard to repayments during bad seasons?

A.—If debentures can be raised under such conditions, rules can be framed.

Q.—Do you want the Committee to understand that in the Ceded districts there is no scope for land mortgage banks?

A.—I said that there are some tracts where land mortgage banks can be established but such tracts are very small.

Q.—Until such land mortgage banks are formed the tenant will have to depend on the village sowcar. Is it not?

A.—Yes.

Q.—What are the rates of interest prevailing with the sowcars?

A.—Local sowcars charge from 12 to 24 per cent.

Q.—Do you consider that very high?

A.—Twenty-four per cent I consider as very high.

Q.—Are rates of interest decreasing in villages where there are co-operative societies?

A.—Money-lenders are not raising their rates of interest.

Q.—They are not reducing?

A.—They temporarily reduced in some places in order to ruin the societies.

Q.—Do you consider the rates of interest charged by the money-lender such as to make it impossible for the ryot to discharge his prior debts? Would it reduce him in course of time to the state of a landless labourer?

A.—I think it would eventually result in that.

Q.—Who then purchase all these lands?

A.—The money-lenders themselves purchase the lands.

Q.—Do you think there is any scope for any by-industries for the villagers in the districts?

A.—There are certain industries.

Q.—Have any societies been started to help such industries?

A.—Yes, surely.

Q.—How many approximately?

A.—About 24.

Q.—Have they succeeded in the object with which they were started?

A.—They have not.

Q.—Do you think there is any scope for an industrial bank for financing the cottage industries?

A.—I advocate a central emporium at Madras for all the weaver societies. If there are ready buyers and if these weavers get money for the products soon then they can carry on their work undisturbed.

Q.—You say in your written evidence 'the agriculturist suffers for lack of organization and capital.' What kind of organization do you contemplate?

A.—The business side of selling his produce.

Q.—Do you think that their work can be undertaken by the existing co-operative societies or do you think that there should be a separate class of banks?

A.—I think that the Industries Department have an idea of having a central emporium. The Special Officer suggested it and I think it is to be on a co-operative basis. I advocate a loan and sale society for every taluk and if possible for a firka because we have to educate the people in marketing the produce. If we give the villagers short-term loans for agricultural purposes, and then bind them to give the produce to the loan and sale society, then the villagers can get the maximum profit for themselves.

Q.—Have you tried to start any such sale societies in this district?

A.—Yes. We have five or six such societies here. It was started 5 years ago at Bellary, in Hospet three years ago and in Adoni a year ago.

Q.—Have they been doing good work?

A.—They are working on sound lines and doing good service.

Mr. Gopala Menon: How long have you been in the Co-operative Department?

A.—Eight years.

Q.—Previous to that?

A.—In the Revenue Department.

Q.—Were you a Deputy Collector?

A.—I was in the Revenue Department for 13 years and for 8 years here.

Q.—From your experience of the co-operative societies which have worked for the last 2 decades do you consider that these societies have fulfilled the function for which they were started?

A.—They are trying to fulfil.

Q.—You do not think that they have fulfilled the purpose for which they were originally designed?

A.—To a certain extent they have fulfilled.

Q.—Now people are advocating developments of the co-operative movement in other directions such as marketing, loan and sale societies and things like that. Do you think these activities could be conducted side by side with the activities for which that movement was first started?

A.—They can be done.

Q.—Do you think then that the present system of working the co-operative societies will adequately fulfil that function?

A.—Yes.

Q.—What I mean is that should the co-operative societies in that case be run by honorary officials as at present or by paid officers?

A.—It is better to have paid men.

Q.—In that case you think that co-operative societies can take up marketing work, conduct loan and sale societies, take to warehousing and also pooling?

A.—Yes. They will materially help the original idea of credit societies also.

Q.—It is the internal trade of the country that suffers now. Can you suggest any way by which the produces in the country can be linked up with the Indian merchants?

A.—That is what we are trying to do by the loan and sale society.

Q.—Is there any other way by which it can be done?

A.—I think that is the only way we are advocating in the co-operative movement.

Q.—Do you advocate the discounting of hundis by co-operative banks, which is at present done by the commercial banks?

A.—Yes.

Q.—Have you any method to suggest for internal remittance being facilitated? Can it be done through the treasuries?

A.—We cannot increase the work of the treasuries,

Q.—Are you positive that co-operative banks should not take up any function which the commercial banks or Indian managed joint-stock banks are doing at the present time?

A.—Only as far as transactions with regard to members are concerned, they should take up.

Q.—Now I am not satisfied with the answer you gave to Mr. Muniswami Naidu that the agriculturists are suffering for lack of organization and capital. In another place you say “No loans are advanced to ryots by joint-stock banks or branches of the Imperial Bank of India for agricultural purposes.” Further with regard to creating better organization you suggest the opening of an emporium at the metropolis. Is it not?

A.—Yes, but that is only for the weaver societies. In regard to loan and sale societies we have ample funds in the central banks.

Q.—Is this lack of organization due to lack of knowledge and education on their part and also due to the fact that they are unable to assert themselves and to make representations in proper quarters?

A.—To some extent it is due to lack of knowledge.

Q.—So you think it is want of rural uplift or rural advancement that is the cause of the present sufferings of the ryot?

A.—Yes.

Q.—You are positive that the co-operative society should not take up any function which the commercial banks or the Indian managed banks or the Imperial Bank are doing at present?

A.—Only as far as the co-operative banks are concerned I do not advocate the taking up the work of the commercial banks.

Q.—But you are prepared to co-ordinating their activities for their mutual help?

A.—Yes.

Q.—You are for the creation of an inter-relationship as far as possible?

A.—Yes.

Q.—You say that the ‘agriculturist suffers for lack of organization and capital’ and in another place you say that ‘no loans are advanced to ryots by joint-stock banks or branches of the Imperial Bank of India, for agricultural purposes.’ With regard to this organization of capital you said that there should be an emporium in the metropolis and the commodities produced should be sent there, exhibited and orders should be obtained. What is it that you mean by that?

A.—I said that in regard to the weavers and the industrial societies. But with regard to the loan and sale societies there is ample money in the central bank.

Q.—The ryot suffers for lack of organization. What is it that you mean by that?

A.—In a co-operative society there should be arrangement for giving short-term loans for agricultural purposes and for selling the produce with a view to getting the maximum benefit thereby.

Q.—That means they are denied of the rural credit which they can get otherwise?

A.—Yes.

Q.—Is it due to lack of knowledge and education on their part to assert themselves and to make representations in the proper place?

A.—To some extent it is due to lack of knowledge.

Q.—So you think that on account of want of rural uplift or advancement the ryot suffers greatly now?

A.—Yes. This is in connection with the loan and sale society.

Q.—For agricultural purposes do the Imperial Bank advance money?

A.—Yes, it is on pledge of produce only. They are giving freely for commercial purposes.

Q.—I understand that the Imperial Bank is now lending money on the pledge of gold to a very large extent. Probably the ryot does not know how to go and raise money from the Imperial Bank or the commercial banks; because it is due to lack of knowledge on his part. So he must be better educated. Is it not?

A.—I do not know that the branches of the Imperial Bank in the Ceded districts are giving loans on the pledge of jewels. It may be in the other parts of the Presidency.

Q.—With regard to the cottage industry products, you said you wanted a central emporium to advertise the sale of the produce?

A.—Yes, for undertaking the sale.

Q.—But these are run by certain loan and sale societies. Is it not the duty of the loan and sale societies to manufacture the goods and sell them?

A.—No.

Q.—Probably there are certain societies which are engaged in such work?

A.—Producing societies there are.

Q.—But how could the central emporium established in the metropolis help the people in Bellary?

A.—Because there is a ready market there they can get money for the articles produced.

Q.—You want the sales to be effected?

A.—Yes.

Q.—But do you not think that these people themselves should engage a salesman for the purpose of going out to the mufassal to take indents and find a sale for their commodities? Is that not the best method?

A.—Of course it is one of the methods, but practically it was found to be ineffective.

Q.—Probably it was because there was not a good salesman?

A.—Perhaps.

Q.—If he is a proper salesman it is his duty to find out the sale for the articles that have been produced, if the article produced can successfully compete with similar articles imported into this country. So, do you think that sort of work could be done by salesmen?

A.—Salesmen can undertake the work, but I do not think that the societies will succeed.

Q.—I understand that the products of the weaving societies are not disposed of in time. Is that so?

A.—Yes.

Q.—Is that due to lack of finding a market?

A.—Yes.

Q.—Suppose we have a salesman who will go out to the places where these goods are wanted. Do you not think then that he will be able to sell them?

A.—The society employed salesman also. But the expense incurred on that account was enormous and ultimately the sales also were not well conducted resulting in loss to the society.

Q.—To my mind it appears that it is not properly advertised and sold? In regard to subsidiary industry products you said that they do not exist on a scale deserving of any extra capital. What do you mean by that?

A.—I meant by extra capital, capital either from Government or from any other source, because local money is available.

Q.—Do you suggest that these are mostly cottage industries?

A.—Yes.

Q.—Are they in good financial circumstances?

A.—They can get finance from the co-operative banks. There is no complaint about that.

Q.—Are the cottage industrialists financially prosperous?

A.—There is no lack of credit for them.

Q.—What I am trying to find out is whether these cottage industrialists have been heavily involved and whether they have got enough assets on which the money-lender could advance any money?

A.—Generally in all these places, these weavers are heavily indebted. They are also addicted to drink and it is not safe to advance them much money.

Q.—Do you find the same thing in regard to the other industries such as the cumbli trade, etc.?

A.—There, of course, it is not to that extent as it is in the case of the ordinary weavers. But in every other case it is so.

Q.—You do not think that there is any conflict between the co-operative societies in the place and the other banking institutions?

A.—So far I have not met with any difficulty.

Q.—Coming back to cottage industries, you say that conditions do not warrant any extraneous capital. Why do you say that?

A.—I think it was in answer to some question about the industry being subsidised by Government that I said that.

Q.—I want to know whether it is due to the fact that they are heavily involved now?

A.—When I said that, I had in my mind the fact that enough capital is available and no capital from outside is necessary.

Q.—Available from the Co-operative Department?

A.—From co-operative banks.

Q.—Suppose they want a loan for improving the industry. Do you think they have got enough assets for them to raise a loan under the State Aid to Industries Act?

A.—No. I say that from the co-operative banks themselves they can raise the money.

Q.—You do not think that these subsidiary industries are in a very bad way?

A.—No.

Q.—In regard to your suggestion regarding the reduction of interest, do you think that by a statutory enactment higher rates of interest could be put down?

A.—That is my idea.

Q.—You want a legislation for that?

A.—Yes.

Q.—Should it be something like the Money Lenders Act?

A.—Yes.

Q.—Is the Usurious Loans Act working here?

A.—No.

Q.—You say that funds for the land mortgage banks should be obtained from the central banks. Is it by way of loan?

A.—Yes.

Q.—The co-operative central land mortgage bank has just been brought into existence. Do you think it is safe to take deposits?

A.—Of course if it is managed by proper authorities deposits can be taken.

Q.—What rate do you think the central bank should offer?

A.—It should never be more than 6 per cent.

Q.—Do you know the rate of interest ruling on fixed deposits in the joint-stock banks and the other banks and in the Imperial Bank?

A.—I do not know. We have some relation with the Imperial Bank.

Q.—The Imperial Bank gives on fixed deposits only 3 and 3½ per cent while the other commercial banks and the central urban bank are giving 4½ per cent. Do you not think that by allowing 6 per cent, the co-operative land mortgage bank will come into active competition with the other financial agencies and do you advocate that?

A.—I do not advocate that. Six per cent should be the maximum. But if it is properly run there is no harm even if it comes into conflict with the other banks.

Q.—The Government has subsidised our debentures and we can raise debentures on the security of the assets of the primary land mortgage banks. The money that the central land mortgage bank can find now would be adequate for the next two years. Should we then go on taking deposits?

A.—I do not say that. I said that after some time when confidence has been created, money will flow in. I do not advocate taking deposits.

The Chairman : About the business of cashing bills to which some reference has been made, what is the business that the Hindupur Bank is carrying on?

A.—I think it is only to a small extent. I saw only half a dozen cases.

Q.—Of what?

A.—Hundis, I think, from Bangalore.

Q.—Were the people local merchants?

A.—Yes.

Q.—And they have dealings with Hindupur and Bangalore?

A.—Yes.

Q.—Do you know other societies doing that?

A.—No. I do not know of any other in the Ceded districts. But in Guntur I know of one or two cases when I was there.

Q.—Is it not possible to have it as a regular business of the co-operative bank?

A.—No.

Q.—And the co-operative central banks?

A.—They are not doing this business at all here.

Q.—Do you think there would be any opposition if these banks started discounting hundis?

A.—I do not think there will be any opposition.

Q.—Do you not think that the Imperial Bank will object?

A.—I do not think so.

Q.—Would you regard it as part of the legitimate work of the co-operative central bank?

A.—No. But only to facilitate the transactions and to help the members I said it may be undertaken.

Q.—Can you confine it to that?

A.—It is very difficult. It is how they are misusing in some cases where there is concession. They are doing it on behalf of others also and are thus coming into conflict with commercial banks and the Imperial Bank. But I did not experience that difficulty because the transactions were little.

Q.—But those transactions will have practically no value on the marketing of agricultural produce?

A.—No, not at all. They are only commercial.

Q.—But is not the business of the co-operative central banks largely confined to the finance of agriculture?

A.—Yes.

Q.—Has there been any suggestion that it should be confined to that?

A.—No.

Q.—But it is confined to the finance of co-operative societies?

A.—Yes.

Q.—That may include producers of all kinds?

A.—Yes.

Q.—It may include organized consumers also?

A.—Yes.

Q.—How would you justify the continuance of the Government concessions in regard to the free transmission of money through the Government treasuries to the co-operative societies? You have no objection to the free transmission of money from one co-operative society to another?

A.—No.

Q.—At present you have got a central bank at Hospet, an urban bank at Bellary and an urban bank at Adoni?

A.—Yes.

Q.—Any others?

A.—Only these.

Q.—At Harpanahalli is there not one?

A.—That is only a big unlimited society.

Q.—With regard to the repayment of the loans you said that repayments were bad and you suggested bad seasons. Somebody else suggested bad supervision. Which do you think it is due?

A.—It is due to both.

Q.—What is being done to improve the situation?

A.—Some of the society panchayats are being reconstituted and also the supervising agencies and we expect to see some improvement.

Q.—The school at Anantapur is only a teaching centre at present. Is there any demand for a bureau of information on prices?

A.—There is no demand at Anantapur.

Q.—Is there any demand for that anywhere else?

A.—In some places people wish to have the information about the trade prices and the statistics. But Anantapur is not a trade centre. It is better if they get information about the state of prices in the market.

Q.—If the information is obtained from various sources and the prices are correlated, does it matter where that is done?

A.—It does not matter. But here the societies do not take the trouble of getting the different prices but they desire that information to be furnished to them by some other agency.

Q.—Is your school at Anantapur capable of being developed into a commercial information bureau?

A.—Yes.

Q.—In this school at Anantapur they are teaching banking, book-keeping and accountancy?

A.—Yes.

Q.—Do you see any sign of that being utilized for training by men who want to go in for commercial business?

A.—Some of the people coming out of that school have been appointed.

Q.—Have any men been taken to the Co-operative Department?

A.—Yes.

Q.—Were they trained men?

A.—They were trained men.

Q.—About execution of the decrees by the co-operative societies is it fairly easy?

A.—It is difficult because we have to refer to the Revenue authorities.

Q.—What would happen if the co-operative departmental officers are armed with powers of summary recovery?

A.—We can produce wonderful results in that direction.

Q.—Have you got time to do that?

A.—That we have to consider. If we have a good staff we can do that.

Q.—Can you do it without any staff?

A.—No.

Q.—Suppose you had power. Then you would have to do it?

A.—Then automatically without using the power we will get the money. But at least for clerical work a staff is required.

Q.—If you have no need to use the power there is no clerical work either?

A.—Actually we do not use, but we have to make it appear that we will use the power by the issue of notice and other procedure.

Q.—The village munsif is able to make the collections himself?

A.—It is because he goes about, but the departmental officers cannot visit all the places. If he goes to the various places then there is no necessity for clerical work. But if he is not able to go, the necessity for clerical work arises.

Q.—Is there a competition between the Imperial Bank and the co-operative banks?

A.—In this circle I do not find any competition.

Q.—Are the co-operative banks undertaking the business of the Imperial Bank?

A.—Only the loan and sale societies.

Q.—What about the fixed deposits?

A.—So far there is no conflict.

Q.—There is no competition?

A.—No.

Q.—What is the co-operative society putting on three years' loans to municipalities?

A.—Up to three years 4 per cent. Recently it has been raised to 4½ per cent.

Q.—What do they get in the Imperial Bank?

A.—I think it is 4 per cent.

Q.—A good deal of deposits were in the co-operative banks. Is that not so?

A.—Yes.

Q.—Is it a considerable amount?

A.—Yes.

Q.—Prior to the granting of the concession, where was the money deposited?

A.—It was not in the Imperial Bank.

Q.—In regard to the money-lenders' rate of interest has it been reduced as a result of the co-operative societies? Are the village money-lenders lending at a lower rate of interest now than they were before 10 years?

A.—Yes.

Q.—Is that due to the co-operative societies?

A.—Yes.

Q.—Why?

A.—Because the people are getting at 12 annas there.

Q.—Does the money-lender make use of the co-operative societies as a means of recovering his dues?

A.—It does not happen to a very large extent. We find it in a few stray cases.

Q.—Is there any large number of loans given by the co-operative societies to repay the sowcar?

A.—We do not find such cases to a large extent. In one or two societies we found that and we have stopped further loans to them.

Q.—Are you not paying small sums for the repayment of prior debts?

A.—Yes.

Q.—Surely all the repayment of prior debts must go to the sowcars?

A.—Yes.

Q.—Has there been quite a lot of that?

A.—About 50 per cent.

Q.—To that extent the co-operative societies have been helping the sowcar to realize his loans?

A.—Yes.

Q.—Regarding cottage industries the co-operative societies can only take part in the marketing of the produce?

A.—Yes, to find the sale for the products.

Q.—Is that all?

A.—Yes.

Q.—What about the debts of the people?

A.—For advancing to the weavers, it is not necessary that we should advance any amount for the liquidation of their prior debts.

Q.—Why not? Is it not a fact that many of these are working on the advances made by the merchants?

A.—They are.

Q.—On condition that the produce goes to the merchants themselves?

A.—Yes.

Q.—How do you propose to get rid of that? That is one of the principal reasons why co-operative societies made so little progress. Do you agree?

A.—Yes, because we do not make arrangements for the discharge of prior debts.

Q.—The simple fact is that there is no credit basis on which you can lend money to pay his debts. Is that not so?

A.—Yes.

Q.—It applies to weaving. Does it not?

A.—Yes.

Q.—It applies to the bell-metal works in Cuddapah?

A.—Yes.

Q.—It applies to your carpet-weaving at Adoni?

A.—Yes.

Q.—What about Kudittani?

A.—It does not apply to that extent because the people there are not very much indebted.

Q.—But why does the co-operative society favour it? Is it still existing?

A.—It exists only in name.

Q.—You say that it was not a question of indebtedness. Then why did the society fail?

A.—Due to mismanagement.

Q.—What about slate-making at Markapur?

A.—There also the failure is not due to the indebtedness but it is due to the mismanagement.

Q.—There is no basis of assets for loans?

A.—No assets.

Q.—If you lend, can the societies give any guarantee to get the produce?

A.—Yes.

Q.—But suppose the guarantee is there but the produce is given to somebody else?

A.—They are also doing that. But if the management is effective, it can be given.

Q.—When was the giving of long and short-term loans started?

A.—Three years ago.

Q.—Are short-term loans now being used for short-term purposes?

A.—Now we are insisting upon that.

Q.—Are you insisting upon it effectively?

A.—Yes, Sir.

(The witness then withdrew.)

Friday, the 17th January 1930.

BELLARY.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.
 Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

**M.R.Ry. K. T. ALWA Avargal, Deputy Director
 of Agriculture, Bellary.**

Oral evidence

Mr. Thomas : May I know how long you have been in this district?

A.—I have been in this district for the last two years. I came to this circle in 1927 to conduct some investigation. I did that for nearly 7½ months and afterwards took charge of this circle and I am in charge of it for the last 1½ years.

Q.—How long have you been in the Agricultural Department?

A.—I have got 18 years' service in that department. I have served in most circles in the Presidency.

Q.—Have you got a fair knowledge of the economic conditions in this district?

A.—I have.

Q.—What is the net return from one acre of land in the villages around this town?

A.—It depends upon the crop. If it is groundnut the land will produce Rs. 50 worth. If it is cotton an acre will produce Rs. 25 worth and if it is food grain like cholam Rs. 20 worth including fodder.

Q.—Is that the gross yield or does it exclude the cultivation expenses?

A.—It is the gross yield. Cultivation expenses for one acre of groundnut will be Rs. 20, i.e., the net income will be Rs. 30 for one acre. Cultivation expenses for one acre of cotton will be Rs. 5, i.e., the net yield from one acre will be Rs. 10. For cholam or food grain the cultivation expenses will be Rs. 8 per acre, i.e., the net income will be Rs. 12 per acre. These are all the averages.

Q.—Do you take into consideration good season as well as bad season and good land as well as bad land?

A.—Yes.

Q.—What do you think is the economic holding in a district like Bellary?

A.—I think it will be between 30 and 40 acres. For this I have in mind a family consisting of a husband and wife with four children. It will give them in a normal year sufficient food for themselves, their cattle and also some money.

Q.—What will be the annual income needed for a family like that?

A.—About Rs. 600.

Q.—When you say 30 to 40 acres I suppose you mean dry land?

A.—Yes. It is all on the dry condition basis.

Q.—Do you think it is necessary to have 30 to 40 acres?

A.—It is quite necessary.

Q.—What do you think will be the average yield per acre? Will it be Rs. 15?

A.—Yes.

Q.—Do you think it is necessary for a family of the type you mention to have Rs. 600 per year for maintenance?

A.—It is necessary, taking into consideration the maintenance of cattle. Cattle are as important as human beings and need equal care.

Q.—But there are ample grazing grounds here for cattle?

A.—I do not think, perhaps in the western taluks there may be.

Q.—I presume that you are acquainted with the marketing conditions of the principal crops, groundnut and cotton, in this district?

A.—Yes.

Q.—Could you tell me who finances the ryots in this district?

A.—The ryot is mainly financed by the landholder in the village. There are some moneyed landlords who finance their tenants.

Q.—Are you aware of dalals giving advances to the ryots in the villages around Bellary?

A.—Yes, but generally the dalals give advances to village merchant and the merchant gives the advances or distributes them to the ryots.

Q.—Do you know that a good many of the ryots are receiving money from the dalals?

A.—If the dalal is near to the ryot he advances money to the ryot, if he is distant he does not advance to the ryot for he cannot watch him.

Q.—It is stated in the marketing report of the Central Cotton Committee that the sowcar is only responsible for 27 per cent of the advances. Is that true of this district?

A.—Yes, if you mean by sowcars the village merchants.

Q.—It is also definitely stated in the report that the bulk of the financing is done by landlords. Is it true of this district?

A.—It is true.

Q.—But from the investigation recently carried out around Bellary it is clear that almost all the ryots get their advances from the dalals. How is it?

A.—It might be possible in Bellary market where they have got the godown system. My remarks refer to mainly Adoni and Nandyal.

Q.—When you made enquiries at the instance of the Indian Central Cotton Committee, were you asked to investigate around Adoni only?

A.—Adoni is the biggest market and I confined my investigation to that part only. In Bellary the marketing system is quite different.

Q.—So what is contained in the report does not refer to the Bellary market?

A.—Yes, it does not refer to it.

Q.—It is also stated in that report that the cultivators are not hampered by their borrowings in the disposal of their crops. Is it true?

A.—Yes. There is nothing, no clause laid down to the effect that the produce should be sold to him, i.e., to the lender who advances the money. It is only a moral binding if the loan is taken from a sowcar who trades in cotton.

Q.—Could you tell me who selected these villages for you?

A.—I myself selected.

Q.—Why did you select these particular villages?

A.—I selected Adoni because it is the biggest market in the district, much bigger than Bellary. Secondly to get information from Bellary market is very difficult but it is an open market in Adoni and you can watch and know every transaction that is taking place. Here in Bellary the dalals do not give any information.

Q.—Do you now recognize that it is not true to say that the condition mentioned in the report are not true of this part of the district?

A.—These conclusions are not applicable to the Bellary market and the villages that are close to this market. My investigation was about Adoni market, the biggest market, and the villages affected by that market.

The Chairman: What is the Nandyal system? Is it the same as the Adoni system?

A.—The major portion of the Nandyal business is on the forward-contract system whereas in Adoni it is ready, or outright sale from the seller to the buyer,

Q.—Where does the dalal come in in Adoni?

A.—When the village seller and the village merchant come to the Adoni market to sell their cotton, there the dalal comes in.

Q.—But is not the Adoni system that of selling direct by the ryot to the merchant without any intermediary?

A.—In most cases there is no direct connexion, but with the assistance of a dalal.

Q.—Then how does it differ from the Bellary system?

A.—In Bellary the stuff is stocked in the godown by the dalal at the risk of the seller and sometimes there is some months' delay for the sale to be effected, whereas in Adoni it is outright sale on the same day. The Bellary dalal is a rich money-lender, godown-owner and a speculator. The Adoni dalal is not so very rich, does not advance very much, has no godown, does not speculate but counts on daily business. The influence of the Bellary dalal on the market is greater than that of the Adoni dalal. In Bellary the dalal sells the produce of another very often in the absence of the owner, but at Adoni the dalal attends to the sale (weighing, etc.) in the presence of the owner.

Q.—In the Adoni system, who gives advances to the ryots for growing the crop?

A.—In the villages, I have said it is mostly the landlord. The village sowcar only finances to the extent of 27 per cent.

Q.—Where does the sowcar borrow from?

A.—He often gets the money from the dalaldar who does not directly advance the money to the cultivator. The dalaldar advances it through the village merchants.

Q.—How far is Adoni from here?

A.—It is about 40 miles.

Q.—The two systems are not so distinct as may at first sight appear. Is it a hard and fast rule that the dalal in Adoni should never lend to the ryot direct?

A.—No such rule but he prefers to lend through village merchants in case he lends.

Q.—From your investigations can you draw a definite line between the Bellary area of operations and the Adoni area?

A.—People from 10 to 15 miles along the Alur road come to Bellary with their produce and the others go to Adoni.

Q.—But is there not a bit in the middle where people may come to this side or that side?

A.—Yes, there is and then his destination depends upon the price. The village merchant knows the price prevailing in Adoni and it is he who brings the bulk of the produce.

Q.—What about the Nandyal system?

A.—In Nandyal market the Buckingham and Carnatic Mills are the biggest purchasers. They enter into forward contract with local merchants and ask them to supply lint at a fixed rate. Local merchants (Nandyal merchants) in turn enter into forward contract with village merchants who purchase the stuff from ryots.

Q.—Do you know what system prevails in Coimbatore? Have you any personal knowledge of the Tiruppur cotton market?

A.—Yes. There the merchants purchase from ryots and sell to the commission agents of different mills.

Mr. Muniswami Nayudu: There is the dalal who advances money to the ryot. On the day the ryot brings the produce to the Bellary market the price falls down. Then the ryot can stock it in the godown, but in Adoni the ryot has to sell it. Is it not and, if so, who loses?

A.—If the price is low it is the ryot who loses and not the dalal.

Q.—You say that the Adoni market is better than the Bellary market?

A.—Yes, for the following reasons: (1) The seller (the ryot or the village merchant) and the buyer meet face to face and settle the terms. (2) The seller can finish the business and return to his village sooner.

Q.—But the ryot will sustain a loss if he cannot find a readier sale on the day he brings it to the market.

A.—He will find a sale the very day but there might be a fall in the price.

Q.—But if the price falls down and takes some time to recover, he cannot stock it in the meanwhile and he has to sell it and sustain heavy loss. Is it not?

A.—Yes, but there is the other risk also; by keeping longer, the price may go still lower.

Q.—So, there is the disadvantage in not having the godown system in Adoni?

A.—Yes.

Q.—If there were the warehousing system the ryot would be able to get a better price?

A.—Not always, I do not advise ryots to speculate. Cotton is a dangerous stuff. Instead of rising, the price might fall.

Q.—Do you think by having the godown system in Bellary, the Bellary people are getting a better price?

A.—I do not think so. The Adoni ryot does not lose under the ready sale system.

Q.—Do you know that in Adoni also there is the village merchant who stocks his own cotton and takes it to the market? Either the merchant buys cotton outright or on the understanding that as soon as the sale price is received he will pay the money to the ryot. Does he generally buy cotton on his own account?

A.—Yes.

Q.—If the landlord lends money on the strength of the produce, does he watch the produce when the ryot brings it to Adoni for sale?

A.—He will be certainly watching, in order to demand his money as soon as the ryot gets the sale money.

Q.—Does not the ryot run the risk of having to sell the produce once it is brought to Adoni?

A.—It is only in a few cases that the ryot brings it to the Adoni market and that only the big ryots do and in many cases the village merchant who purchases the cotton in the villages brings the produce for sale. He knows the market rates before he carts the produce to the market and the rise and fall is very little between his expected price and the actual sale price.

Q.—If it is the village merchant who advises the ryot as to when to sell and so on it is just like the dalal merchant in Bellary. The Bellary dalal also advises the ryot when to sell and if the price is not favourable, he advises him to keep his goods in the godown pending rise in price?

A.—The village merchant is not a dalal but an actual buyer in the village from the ryots. He is doing actual business and not acting as a dalal.

Q.—Suppose the merchant sells, does he pay the ryot at once? He allows the seller to take the produce as soon as it is sold and when he gets the money pays it to the ryot.

A.—The village merchant pays to the ryot at once at the settled rate before the produce is removed and in some cases from the village and in some cases part-payment is done and the rest is paid when the village merchant returns to the village after the sale in the market.

Q.—So the dalal in Bellary charges by way of commission, but the dalal in Adoni earns by way of giving low price to the ryot, who does not know the current market rate. Is it not?

A.—The seller whoever might be (ryot or the village merchant) comes to know the market rate at Adoni being an open market and the dalal cannot cheat the seller on rate. The dalal at Adoni gets commission for his work which is mostly supervision of weighing and passing.

Q.—Is there not competition in the village between the merchants?

A.—There is and the margin of profit that the merchant gets in Adoni is less than the commission that the dalal charges in Bellary.

Q.—So, there is not much difference between the two systems; one claims the margin between the price he stipulates and the price obtained in the market while in the other case he stipulates the percentage of commission on the sale price. Is it not?

A.—There is difference. In Bellary the dalal settles the price for the stuff stored in his godown by the seller. The getting of proper and real price by the seller depends upon the honesty of the dalal. At Adoni the seller and purchaser meet face to face and settle the price. The dalal only looks after weighing and passing and gets commission for his work. In Bellary also the dalal gets commission as in Adoni, but in settling rates he takes full responsibility.

Mr. Thomas: Do you not think there is much cheating taking place in Bellary?

A.—I have heard about it, but I have no personal knowledge.

Q.—What about weighing? Is there not false weights used in certain transactions?

A.—I have heard of it.

Q.—Is it more prevalent in Bellary than in Adoni?

A.—Both places are equally bad in the matter of weights and weighing.

Q.—In Bellary the ryots who deal with dalals are at their mercy because of advances taken from them. What relief would you suggest for relieving them?

A.—There must be some other source from where they can get advances.

Q.—As an officer of the Agricultural Department you might be thinking about this?

A.—We look to Co-operative organizations.

Q.—Do you not think that you should take greater interest in the business side of agriculture?

A.—There are two loan and sale societies, one in Bellary and another in Adoni. They are mainly worked through our help.

Q.—Do you not think that the business side of agriculture is more important than having better crop? You may have a large crop but it may be sold for a low price?

A.—The business side of agriculture is equally important.

Q.—In that case do you think the present training of agricultural officers is sufficient to enable them to undertake this kind of work in this Presidency? Are they given any training in economics and such things as marketing, holdings, etc.?

A.—Yes, they are given such training to a small extent.

Q.—Have you been in the Coimbatore College?

A.—Yes. I am a student of that college.

Q.—Do you get an economics training there?

A.—Yes, we had a few lectures on rural economics.

Q.—You will be surprised to hear that that course is now discontinued? A.—I do not know.

Q.—Have you seen the syllabuses of other universities where agricultural degrees are given? There they insist upon at least two papers in economics and marketing?

A.—Yes.

Q.—Is there any university which gives any degree in agriculture without a regular course in economics?

A.—Of course in the Coimbatore College also they have a professor of economics.

(The witness then withdrawn.)

Saturday, the 18th January 1930.

BELLARY.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.
 Khan Bahadur V. HAMEED SULTAN MARICAIB SAHIB Bahadur.

M.R. Ry. A. D. THANDU MUDALIYAR Avargal, Hospet

(*Note.*—The witness presented the following memorandum of written evidence to the Committee.)

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

1. The majority of the cultivators borrow money from local money-lenders and they make very little distinction between expenses of cultivation and other necessities.

The rate of interest ranges from 12 to 24 per cent. In many cases forward rates for grains are fixed by the money-lender which are cheaper than the market rate.

At times of scarcity the landholder resorts to Government loans under the provisions of the Agriculturists Loans Act and the Land Improvement Loans Act, but they are very few as the difficulties of obtaining the loans are many.

The loans are obtained from the money-lender on security and pro-note and they gradually develop into mortgage loans as interests accumulate.

These loans are generally short-term loans.

Neither the Government, nor the Imperial Bank nor any joint-stock banks play any appreciable part in financing the cultivator direct.

Co-operative societies advance loans in very few cases.

Except the village sowcar none else play greater part in financing the agriculturist.

For the permanent improvements and purchase of lands not much help is rendered. Hence the necessity for starting land mortgage banks in almost every taluk to start with, with a lower rate of interest, say, at 6 per cent, repayable in 30 to 50 annual instalments.

Under the existing conditions the agriculturist has little margin of profit to himself.

There is scope for improvement by proper working of the co-operative societies in the villages. The Government can very well spare its idle money to the co-operative institutions, or influence the Imperial Bank to give greater amount of cash credit to the co-operative central banks at a low rate of interest. It is regrettable that the Imperial Bank is not satisfied with the security of co-operative papers and it has begun reducing the cash credit to co-operative banks by 20 per cent each year.

It is difficult to estimate the capital required for cultivation expenses and permanent improvements, etc., and it is worth while for the Government to take it up and it is found to be a very useful information.

There is no co-ordination of any kind existing now and it will be useful if there should be co-ordination between the State bank and the co-operative institutions.

2. Markets are held in important centres. The village sowcar who finances the cultivator introduces his client to a merchant in the market centre, who acts as his commission agent. More often the village sowcar himself purchases the produce outright at a lower price.

The dalal merchant in important centres advances money to the village money-lender who in turn pays for the expenses of the cultivator with a forward contract of bringing all his produce.

There is possibility of pooling if the cultivator were independent of the sowcar. The few that are independent have not realized the advantages of pooling.

Right now there is co-operative effort but with adequate propaganda there are possibilities. For instance the dairymen, shepherds, cumbli weavers, etc., could be persuaded to do so.

The average cultivator having borrowed the money needed for cultivation is forced to sell his produce soon after the harvest when the market is dull. The others being in need of money for agriculture and other expenses are also forced to part with their produce.

The former cannot be helped unless the previous mortgages are redeemed and is financed for cultivation expenses too.

The facilities needed by the latter are advance of money on pledge of his produce, which could be easily undertaken by the primary societies.

Export trade has considerable financial facilities in the way of easy credit from the institutions like the Imperial Bank and others.

There are central co-operative banks almost in every district now and if these could be linked together with sufficient State aid the facilities for marketing would be improved and made cheaper.

Hundis are the only bills of exchange for internal remittances. The co-operative banks and urban banks in particular may well be allowed to do hundi business for remittances.

3. The value of wet lands vary from 200 to 2,000 rupees per acre in this district and of dry lands from 25 to 150 rupees.

Sale by private negotiation always fetch the highest value.

The lands that are sold by civil courts fetch the least as generally good lands are not allowed to be sold by the court.

When the produce in the land is not sufficient to meet the cost of cultivation and land revenue, it is given up and naturally such lands are sold by Government and hence they do not fetch even to the extent of the arrears of land revenue due.

4. There are no legal impediments to mortgage of land or agricultural holdings in the district.

Land mortgage banks have to be started. As it is difficult to finance these banks by local deposits and also to sell debentures in the district, the only alternative left is for the apex bank to issue and sell debentures.

A special staff is necessary to value the lands and decide titles and recommend loans and fix the period of repayment. It is desirable to grant loans through village primary societies.

This course will enable easy collection of instalments and it will enable the land mortgage banks to save a great deal of expenses and also enable the banks to reduce rate of interest.

Mahars registered by Khazis should be intimated to the Registration departments by the interested parties. Otherwise the mahars should be treated null and void.

It is highly necessary to maintain a register of titles to and enjoyment of lands in each village by the karnam and he must see that the owner is always a pattadar.

5. Special investigation is necessary to find out the indebtedness of the agricultural classes.

The rate of interest is 12 to 24 per cent compound, calculated every year usually and often once in six months too.

Foreclosure of the mortgages.

Yes. The farmers are becoming tenants.

Yes. It takes away the incentive to effective cultivation.

6. There are subsidiary industries such as cotton-ginning, groundnut decortication, handloom-weaving, dairy-farming and gardening.

All these can be encouraged by co-operative purchase of raw materials and co-operative sale of produce.

Bee-keeping and poultry-farming, hand-spinning in cotton areas.

Credit through co-operative societies.

7. The relationship between co-operative bank and the Imperial Bank is more formal than real. Hitherto the Imperial Bank has been giving overdrafts on the security of the societies' pro-notes. Now the said bank has been insisting on replacing the co-operative societies' pro-notes by Government bonds. This would result in heavy loss to the banks owing to the fluctuation in market rates of the bonds and also on account of their low rate of interest.

The Imperial Bank should be made to reduce the rate of interest on cash credit on overdrafts to at least 4 per cent.

The indigenous banks should also be brought under control by introducing licences and insisting on the auditing of their accounts and preventing unconscionable charges and terms.

The Government may with advantage give grants to group of primary societies for maintaining trained and expert staff, to run the societies efficiently in the early stages till the societies are able to stand on their own legs.

II—Indigenous banking.

1. The Marwaris and merchants are the chief bankers in this district. They lend money to the people at 12 to 18 per cent interest and also issue hundis on Bombay merchants generally.

They are intermediaries for the sale of produce on commission.

2. The indigenous banker is the main financier for the agriculture, trade and industry.

3. It needs a special investigation to estimate the amount of capital invested in indigenous banking. The merchants generally borrow from Marwaris at 9 to 15 per cent interest and the latter from their own country, Marwar and Bombay, merchants from 5 to 9 per cent.

No relationship exists between the indigenous bankers, co-operative banks and other banks.

Among the indigenous bankers the merchants borrow money sometimes from the Imperial Bank on the pledge of produce and personal security.

4. Two kinds of hundis are prevalent—

(a) One payable on demand.

(b) Payable on specified date. The rate of interest depends largely on market rate, i.e., from 1 anna to 3 annas per Rs. 100.

The extent of hundi transfers can be estimated at Rs. 10 lakhs per year in Hospet.

5. Indigenous banks grant loans on mortgages and on accounts for agricultural purposes. They also allow cash credit for cultivation on the understanding that the produce is sold through them and it is given on extensive scale.

6. The agricultural community pay in money 12 to 18 per cent interest and in kind up to 33 per cent.

Short-term credit on lower rate of interest may be made available to the indigenous banks and bankers in order to facilitate trade and agriculture and it is bound to improve the standard of living of the agricultural community and help to increase their produce by adopting improved methods and better implements.

7. There is prejudice against the indigenous bankers and in spite of it; they are the only people that are resorted to.

Yes. The indigenous banks are well protected legally and most of the business is conducted on sound lines.

Co-operative credit movement has to be developed and the banking system of the country has to be linked with rural credit, through the co-operative institutions.

8. Starting of banks on co-operative basis for the indigenous bankers in all taluks and other big centres in the district financed by the central banks with the help of the Government will enable the banks to finance the cultivators for a lower rate of interest.

9. The net return of the indigenous bankers after all will be from 9 to 12 per cent but the Marwari makes a little more as that community confines itself only to money-lending on mortgage and sureties.

10 & 11. The indigenous bankers are able to meet the demand whenever the security is good and it is desirable to help them to do real banking and to link them with the banking system of the country.

It is advisable to open a reserve bank with its branches in this mufassal.

III.—Investment habit and the attraction of capital.

1. There are very little banking resources existing and even the little that exists needs developing.

2. The actual cultivator leads hand-to-mouth existence and he hardly has any money for investment. Even if any saving is left, very few facilities exist for investment.

3. The postal cash certificate can be made popular by raising the rate of interest and the same with the savings banks.

4. The middle-class people and officials resort to postal savings banks.

The people have to be educated and the number of post offices to be increased.

The cultivator has practically no surplus to invest in Government securities nor is it advantageous to him to do so under the existing conditions.

5. The banking and investment habit is really slow and it is entirely due to illiteracy and poverty.

Oral Evidence.

Mr. Thomas: What are the stages through which handloans become mortgages?

A.—The money-lender goes on adding interest to the principal and it accumulates. Then the property is mortgaged and when the accumulated loan is likely to exceed the value of the mortgaged property the lender naturally takes the sale deed at times and so it passes on from the cultivator to the merchants.

Q.—Is it usually a matter of a sale being effected by private negotiation or does the lender go to court?

A.—Generally the matter is arranged between the parties themselves by means of private negotiation.

Q.—Under that system, does the owner secure a decent price for his land?

A.—He does. If it is a good land it does not go to court at all.

Q.—You said earlier that if sold by private negotiation the price realized is high whereas if it is sold by court it is always bound to be low. Why is it so?

A.—If the land is worth the amount advanced, they generally settle the matter out of court. It is only when the debt increases and it is not possible for the debtor to repay the amount that the debtor gets persistent in not paying and keeps quiet notwithstanding the matter goes to a court of law.

Q.—Then the lender does not get the whole amount due to him?

A.—No.

Q.—Why is it that court sales do not fetch a high price?

A.—It is because good lands are never allowed to go to court.

Q.—But do the bad lands sold by court fetch at least the price that they deserve?

A.—If the land is really good, it does not go to court at all.

Q.—What I want to find out is whether the inferior lands sold at court auctions fetch at least such price as they deserve, surely even third-rate lands have an appropriate price?

A.—It is not a question of the ryot there. It is only a question of the money-lender. The latter tries his best and he gets some of his men even to underbid the land and very few people will be there to attend the sale. Because the sale is not sufficiently advertised, naturally the ryot gets the lowest price.

Q.—Who benefits thereby?

A.—The money-lender of course.

Q.—Is it because the money-lender has got more influence in the place than the borrower?

A.—Yes.

Q.—Are there many cases of sales of land for arrears of land revenue?

A.—There are some but not many. Very good lands are not allowed to go in for sale by the Government. Some borrow money and pay the land revenue. But it is only in the case of the ryot who feels that he will not be able to get sufficient from his land that keeps quiet and does not pay the land revenue and allows the land to be sold in auction.

Q.—Because it is not paying, he wants to get rid of the land?

A.—Yes.

Q.—From your experience, can you say what proportion of loans lead to such sales, i.e., to the passing of land from the hands of the ryot to the lender?

A.—I would put it at 75 per cent. That is my experience in Hospet.

Q.—Does the money-lender in Hospet show any tendency to own land himself? I have heard of money-lenders shirking the acquisition of land, that being a bad business proposition?

A.—That is only in the case of the money-lenders from outside, namely, the Marwari money-lenders but not in the case of the local money-lenders who are also merchants.

Q.—Are they Vaisya merchants?

A.—Yes, and even Lingayats.

Q.—Is it their aim when they lend money to acquire the land of the borrower?

A.—Sometimes there is that intention.

Q.—When the money with interest thereon accumulates to a certain amount the money-lender presses for payment?

A.—Yes.

Q.—If another man were to come forward to purchase, the price goes up and the highest bidder gets the land. Is that right?

A.—Yes.

Q.—You say that the Imperial Bank is reducing their cash credit to the co-operative banks. Have you any idea of the reasons for that decision?

A.—The Imperial Bank now insists on the co-operative banks to purchase the Government securities. They probably feel that it is not sufficient security. But on the other hand, I feel that the co-operative papers are much more valuable than the Government securities. Recently, the Iron Bank have lost heavily because they have invested their money on Government securities at par and now the prices of those securities have gone down. While such is the case I do not see why the Imperial Bank should insist on a bargain like that.

Q.—Do you invest at all in Government securities?

A.—Very seldom. On the other hand we are not commercial people. We are just there to help the agricultural population.

Q.—You think that the co-operative paper is good enough and that, if the decision of the Imperial Bank is due to any want of confidence in the co-operative paper, it is not reasonable?

A.—Yes.

Q.—You say that the co-operative banks might be linked together for improved systems of marketing. In what way can it be done?

A.—I mean that they should be linked together with the other banks in the district or the Presidency.

Q.—Which other banks?

A.—You have got the Imperial Bank and the joint-stock bank. I do not think there is any co-ordination between one bank and another except the Imperial Bank having the monopoly in the district. It is only they that can rush on with the business and the other banks have no facility. But it is very convenient even in villages if you give the facilities to the co-operative banks and the central bank in taluk headquarters and wherever there are branches of the Imperial Bank the sub-treasury transactions take place through them.

Q.—Is much remittance now effected by the co-operative banks between the village and the trade centre?

A.—Yes. There are lots of them.

Q.—There is no difficulty about that?

A.—There is a difficulty now.

Q.—What is the difficulty?

A.—The money as it comes into the village has to be taken to the taluk headquarters and, if the amount is less than Rs. 150, no treasury will receive the amount for remittance and in some cases the money which was brought back was lost on the way.

Q.—What facility do you want in the matter?

A.—I think that any money that is taken to the treasury for remittance should be received by the treasury. It is only a question of a sub-treasury transaction and the co-operative movement is only a quasi-Government movement.

Q.—Do you also suggest that co-operative banks might be allowed to transmit money between different trade centres?

A.—Yes.

Q.—In what way?

A.—The discounting of hundis and cheques.

Q.—Of trade paper also?

A.—Yes.

Q.—Of the members or of others as well?

A.—Of anybody. If the co-operative society is given the power they can easily transact all the business in the village.

Q.—Would it not be assuming the functions of the commercial banks?

A.—Yes.

Q.—Co-operation is meant for purposes of self-help, is it not? Are these other functions consistent with the principle of co-operation?

A.—I do not think co-operation stops there. I think we have to find a market for the produce of the agriculturists and then it comes to commerce.

Q.—Would it really encroach upon the field now covered by the joint-stock banks? Are the clients whom you want to help people who generally resort to such banks? Further there are places where such facilities are not existing, and hence the need of co-operation discharging some such function?

A.—I do not see any wrong in that.

Q.—Is it possible for the co-operative central banks to do such work now, with the existing facilities?

A.—Not with the present facilities. But with improved facilities they could very well do it and I think it is worth while doing it.

Q.—You want then that the co-operative central banks should become commercial banks?

A.—The work can certainly be done. That will be only one branch of the work done by the co-operative central banks.

Q.—Do you know of any co-operative banks now doing this work?

A.—We have got some loan and sale societies.

Q.—Are they discounting hundis?

A.—Particularly the co-operative banks are discounting the hundis because they have got no transactions with the provincial bank in Bombay. Whenever hundis are brought we receive them and discount them.

Q.—Has this caused difficulty with the Imperial Bank?

A.—Not at present because it is an independent transaction.

Q.—Do you know of any urban banks carrying on this work of remittance?

A.—I do not know.

Q.—Are you conversant with the marketing conditions in Adoni?

A.—I am not.

Q.—You say that 'the village sowcar who finances the cultivator introduces his client to a merchant in the market centre who acts as his commission agent, more often the village sowcar himself purchased the produce outright at a lower price.' Will you explain that a little further?

A.—He first finances for cultivation expenses on the express condition that the produce is given to him on a forward rate which is much cheaper than the market rate and he gets the whole lot of it soon after the harvest. Then it goes to the middleman in the town or the market centre where it finds a sale.

Q.—Is the middleman a dalal?

A.—Yes.

Q.—Is this sowcar bound to give the produce to the dalal?

A.—He is not bound. But probably he has transactions with him and whenever he is in need of money he goes to him and borrows from him. Naturally he would like to send all his goods to the middleman.

Q.—So, actually, the produce has to be delivered to the dalals, from whom they take advances?

A.—They do as I understand it.

Q.—Is it so in Adoni?

A.—I have no idea.

Q.—Is that the usual method?

A.—Yes.

Mr. Muniswami Nayudu: Mr. Mudaliyar, you are connected with the co-operative movement?

A.—Yes.

Q.—For how many years?

A.—From 1907.

Q.—You are at Hospet?

A.—Yes.

Q.—And you know the economic condition of the people in that taluk very intimately?

A.—I know to a certain extent.

Q.—Are there a large number of co-operative societies operating in that taluk?

A.—We have got nearly 35 to 40 societies.

Q.—Could you give the proportion of the number of co-operative societies to the number of villages which you have ultimately to cover in the taluk?

A.—We have got about 200 villages in all and there are only 35 to 40 societies.

Q.—Are the primary societies functioning well?

A.—Not quite satisfactorily.

Q.—To what causes do you attribute that?

A.—Want of proper men to work.

Q.—Is that the only reason?

A.—Want of facilities in the societies too is another cause. We are not giving sufficient facilities to the agriculturist whenever he wants money. If he goes to a sowcar on the other hand he can get money from him at any moment whereas here it is not the case. The loan application has to pass through the society for which it takes nearly a month to the union. From the union it has to go to the central bank and all these processes necessarily take a long time. That is also one of the reasons why the people do not care to go to the co-operative societies for the loans.

Q.—What you say is that there are delays in the matter of sanctioning of loans. Is that what you mean?

A.—Yes.

Q.—I suppose that these delays could be minimized by a proper working of the society. Could not that be done?

A.—It can be done.

Q.—Have you got any society out of the societies that exist in which it can be said the working is good?

A.—There are one or two such societies.

Q.—In such societies the delays have been minimized?

A.—Yes, because they are very near the headquarters of the central bank and for some unions the privilege has been granted of going straight to the central bank without passing through the Registrar or Deputy Registrar and there are cases where the loans are got within a week.

Q.—Then with whom lies the initiative in the matter of pulling up the other societies? Is it in the central bank or is it in the unions?

A.—We cannot exactly say. But I think it is more due to the ignorance of the people.

Q.—But surely the central bank might spend some money necessary to pull up the societies?

A.—They can do it but probably it will be very expensive.

Q.—Do you mean to say that the central banks could not afford the funds necessary for it?

A.—I think so.

Q.—There is what is called supervision funds?

A.—Yes. They are given to the unions for their supervising purposes.

Q.—Who has the supervision funds?

A.—The central bank are only the custodians of the fund.

Q.—But do you think that the funds now available are sufficient to maintain a proper establishment?

A.—No, not at all.

Q.—Have you got any suggestions to make for improving the supervision?

A.—I think it entirely depends upon the funds available. If only the money is got, then the work can be done.

Q.—Co-operative societies now deal only with short-term loans?

A.—We are granting short-term and long-term loans. If the loan is repayable in a year, it is a short-term loan and if the loan is repayable by instalments spread over a period which is more than a year, it is a long-term loan.

Q.—In this Hospet taluk generally the lands are more valuable than in Bellary?

A.—Because of the wet lands.

Q.—Does it consist more of wet lands?

A.—Yes.

Q.—Do you say that the margin left for the cultivator to repay any debt that he may borrow is more in the case of the Hospet cultivator than in the case of the Bellary cultivator?

A.—Yes. It is because every cultivator has both wet lands and dry lands. Even if the dry cultivation fails there will be the wet cultivation for him to resort to. But it is not so in Bellary where the seasons are failing and the overdues are increasing every year.

Q.—It is in Bellary town?

A.—Yes.

Q.—It is not so in Hospet?

A.—Not so much.

Q.—With regard to the long-term loans, for instance those of the old debts the tenants have already incurred and in respect of which they are indebted to the sowcars, do you think that the present co-operative societies operating only for loans extending from one to five years could satisfy all the requirements of the village?

A.—Certainly not. If you really want to spread the co-operative movement in right earnest I think that there must be long-term loans ranging from 25 to 30 years for the purpose of discharging the old debts and then the co-operative credit societies can advance them only to help them to cultivate.

Q.—The point I am aiming at is this. All the requirements of the ryot are not met by the co-operative society, so that in respect of old debts that are longstanding the ryot is still in the hands of the sowcar. Is that not so?

A.—Yes, in many cases it is so.

Q.—Do you contemplate the possibility of the co-operative societies being able to redeem the ryots in respect of all their debts and then make them fit for attending to the cultivation by giving them short-term loans?

A.—Yes.

Q.—To give effect to that what would you suggest?

A.—I would suggest different banks for long-term loans.

Q.—Is it to be the land mortgage bank?

A.—Yes. The mortgages can completely be redeemed and the co-operative credit societies can be approached for the purpose of short-term loans for cultivation expenses.

Q.—Do you think that there is any possibility of a land mortgage bank being started in Hospet taluk?

A.—That entirely depends upon the debentures and the guarantee that the Government is to give and how we are able to float it.

Q.—The Deputy Registrar of Co-operative Societies, Bellary, was saying that having regard to the failure of the seasons and the uncertainty of the crops there was not much possibility of a land mortgage bank being started in Bellary or for the matter of that in the Ceded districts. Do you agree with that view?

A.—I do not. On the other hand that is the reason why we should encourage the establishment of a bank.

Q.—You know that the central land mortgage bank was started in Madras with a view to finance the land mortgage banks in the mufassal and I think the Government have undertaken to guarantee 6 per cent interest on debentures issued for the first five years during the currency of those debentures. Do you think that local capital will flow in to take debentures if a land mortgage bank is started at Hospet?

A.—It may not be possible to have local deposits. If it is floated in Madras, I think it may.

Q.—Now what do you think should be the period of repayment for the loans that are to be given for the repayment of old debts?

A.—I think that if the period is fairly long, it will be easier for the ryot to repay.

Q.—What should be the period?

A.—25 to 50 years.

Q.—Do you think that if loans are granted to be repayable by equated instalments spread over a period of 25 years and above the repayment would be made by the borrowers?

A.—I think they will do it, because particularly the cultivating classes are the losers for now they have to part with their lands which go into the hands of the money-lenders in lieu of their debts to them. But if the long-term loans are given it will really be a boon to the people.

Q.—But is there any real demand from the people themselves?

A.—Yes. A number of them would go in for such a bank.

Q.—Supposing a land mortgage bank is started in Hospet, do you think it has got a chance of working well?

A.—I think it has a chance of working, but the only thing is it is not going to improve the ryot because no sufficient margin is given to him for improving his land.

Q.—Do you want the land mortgage bank to lend at 6 per cent?

A.—Yes.

Q.—But surely the land mortgage bank has to borrow at 6 per cent. Then how can they lend at 6 per cent?

A.—It does not matter if it is only a matter of one or two per cent more.

Q.—Than the rate at which it borrows?

A.—Yes. But now that is not the case with the co-operative banks. We get at 6½ per cent from the urban bank and by the time it goes to the borrower it comes to 9½ per cent.

Q.—You say that for short-term loans the rate of interest is 9½?

A.—Yes.

Q.—Do you find it possible to reduce it?

A.—It is not advisable to reduce it now.

Q.—And yet you find that there is demand even for these short-term loans in the villages where the societies are worked properly?

A.—Yes, there is the demand.

Q.—What is the rate of interest?

A.—It varies from 12 to 24 per cent.

Q.—What is the rate of interest in the case of longstanding debts covered by mortgages?

A.—12 per cent.

Q.—Therefore do you consider that even at 9 per cent it will be really a thing which will relieve the ryot?

A.—Yes, it will relieve the ryot.

Q.—Than is now the case?

A.—Yes.

Q.—In regard to the taluks other than the Hospet taluk do you think there is a possibility of a land mortgage bank being started?

A.—I think that there is every possibility.

Q.—I mean the chances of running a land mortgage bank with success ensuring prompt repayment?

A.—Yes.

Q.—But there is this feature that for a good year there are three or four bad years which succeed. Do you think it would be possible for those people who have recourse to the sowcars and the other agencies to pay their equated payments punctually?

A.—At least once in three years they will be able to pay all the dues. For instance, last year, there were very good crops and from the co-operative societies it could be seen that the ryots have cleared a major portion of their debts to the societies. You can count on the sincerity of the ryots to repay.

Q.—Do you therefore suggest that the dates fixed for repayment need not be necessarily every year but may be made more elastic?

A.—Yes.

Q.—Have you any definite suggestions with regard to the modification of the by-laws which you would like to take into consideration?

A.—Even now the by-laws are quite elastic and we have been taking advantage of that and giving the primary societies extensions of time without charging them penal interest for the same. I think the existing provisions are sufficient if only the people would understand the same and work them.

Q.—With regard to marketing, have you any knowledge of the working of the loan and sale society?

A.—Yes.

Q.—Where is it?

A.—We have got one in Hospet.

Q.—What is the extent of its transactions?

A.—We have only started it last year and the extent is not much. The people have not understood it. But this year I am sure its business will increase.

Q.—What produce are they handling?

A.—Paddy, cholam and groundnut.

Q.—Cotton?

A.—Not much of it.

Q.—Who are the persons now that take part in the marketing of the produce apart from the co-operative societies acting between the actual cultivator and the consumer? Are they sowcars?

A.—Yes.

Q.—Most of them are men living in the villages?

A.—Yes. The sowcars are living in the villages and the dalals are living in the market centres.

Q.—Now, supposing you start a co-operative society for the purpose of giving advances to the cultivators in a small area and then helping them to have their produce sold so that they have the full value of their produce. Do you contemplate the possibility of some kind of establishment to see that the best value is obtained?

A.—Yes.

Q.—Now, so far as the local sowcar or the town sowcar is concerned, something is taken by way of commission to cover the other charges. Is it not?

A.—Yes.

Q.—They are doing this business practically themselves without any extra establishment. Are they not?

A.—They have some establishment.

Q.—Do you think that a co-operative society can compete with them and yet reduce the expenses and thus give the ryots more value for their produce?

A.—I think so. That is the experience in our society at Hospet at any rate. In the beginning the merchants were against it, but we were facing that objection and we have been able to reduce the commission charged by the dalals. It is particularly in the weighing that the people are benefited, and they really appreciate it.

Q.—That is a society started at the town centre?

A.—Yes.

Q.—Do you think such societies can be started in the villages and worked there?

A.—I think you can. If you can have a regular well-trained establishment from the Government who can go from village to village, four or five villages could be linked together.

Q.—I am asking purely from the point of view of the co-operative movement. You say you are trying to compete with the middleman and without any help from the outside. Could you set yourself up to do that work with more profit to the villagers?

A.—It can be done if there are proper men to work it.

Q.—So, you want the Government help in the matter?

A.—Yes, but only as a temporary expedient.

Q.—How long will you require this help?

A.—For the first five or ten years.

Q.—Do you find any difficulty with regard to the financing of the loan and sale society?

A.—Not at all.

Q.—Which is the financing agency?

A.—The central bank.

Q.—Does the central bank feel any difficulty to get its finance from the urban bank?

A.—It entirely rests with the Registrar.

Q.—Do you know that there is a large surplus money in the central urban bank which does not find employment?

A.—Yes.

Q.—So you consider that there is sufficient money in the co-operative central bank which could be enough for some time to finance such loan and sale societies?

A.—Yes.

Q.—Then wherein does the Imperial Bank come to the help? You have got sufficient help from your own bank?

A.—There is one thing. If there is no connection with the Imperial Bank for everything we will have to go to Madras.

Q.—Then you want cash credit in the Imperial Bank?

A.—Yes.

Q.—But you can have that cash credit on behalf of the central urban bank, which could direct the Imperial Bank to give you as its constituent a certain overdraft. Could you not?

A.—My point is that the Imperial Bank itself should finance it.

Q.—You want all the money to be consolidated and placed at the disposal of the central urban bank instead of having the central banks for distributing to the various district centres?

A.—Yes.

Q.—So far as the sowcars are concerned do they resort to the co-operative banks and the central banks at the headquarters?

A.—Not much, because we are not giving them any loans. Our function is only to finance the societies.

Mr. Thomas: Do the sowcars get their bad debts cleared by means of the co-operative societies?

A.—There are some cases.

Mr. Muniscami Naidu: You said that 35 to 40 co-operative societies are working in the villages. Have they any effect in reducing the rate of interest charged by the sowcars in those villages?

A.—Yes.

Q.—You say that there are some difficulties in regard to title of lands and you suggest that mahars should be registered compulsorily. Why should they be?

A.—As it is, when the Kazi registers the mahar no intimation is given to the Registrar's office and that generally works a hardship.

Q.—You suggest that the registry before the Kazis should be communicated to the Registration department?

A.—Yes. That is enough according to the revised rules of the department.

Q.—Is there large scope for improvement of lands by the tenants in your taluk with a view to make the yield more?

A.—Oh yes.

Q.—What is the nature of the improvement that you want them to make?

A.—Particularly in the case of the wet lands, levelling application of the late and improved methods of manure and other things should be resorted to. I think that in that case the yield can be increased by not less than 33½ per cent.

Q.—Is there an attempt by the village to increase the yield?

A.—They are so poverty-stricken that they do not even think of it. But if given the opportunity I am sure that they will eagerly take it up.

Q.—But certainly there exists an opportunity in the form of land improvement loans given by Government at 6½ per cent?

A.—That is really a deplorable affair. I think there is a leakage by the time the loan reaches the ryot. I am one of the sufferers. I applied for a loan of Rs. 2,000 and my land is worth about Rs. 10,000 and it took six months for my application to go from one end to the other, from the Collector to the Sub-Collector, from the Sub-Collector to the Tahsildar, from the Tahsildar to the Revenue Inspector and from the Revenue Inspector to the village officers and again the report went up through all the above stages and all these people came and enquired me whether I applied for a loan and all those things. Finally the loan was granted to me but I refused to take it.

Q.—Surely you applied for a loan knowing that it will take some time before it was granted to you? Six months you could not consider as unreasonable?

A.—I applied in November and I wanted to make the improvements and then begin ploughing in time. Should I not get the loan at least in March before I started the next cultivation?

Q.—You told me some time before that in regard to loan from co-operative banks, that the loan was not applied for in time and the union takes a month to sanction the loan. Similarly you could have applied in time and if you wanted the loan in March you could have applied for it six months before. Could you not have done that?

A.—We have tried it. These are the processes an application has got to undergo.

Q.—Even supposing a land mortgage bank is started, certainly some time will be taken in the examination of titles and other things before a loan is granted. Do you not think so?

A.—I do not think that if there is a special staff for the purpose there will be any difficulty.

Q.—What I say is, if it is a question of manure delay will mean harm to the agriculturist. But if it is a question of permanent improvement you can apply sufficiently early by six months in advance. What is the difficulty in taking that step? The ryots have got better advantages in regard to the loans under the Land Improvement Loans Act. The interest is low, the collection is less. Do you not think that it will be much more satisfactory?

A.—That could be availed of.

Q.—You were speaking about leakage. Surely I do not think that in your own case there was any leakage?

A.—Not in my particular case. Not particularly in these districts where there was a special enquiry and all that.

Q.—Is it so bad at all? Or is it an opinion based upon what others say?

A.—It is really happening.

Q.—What do you think the percentage of such leakage will be?

A.—To put it modestly it will be 10 per cent but I know of some cases where the amount has not reached at all the person who has applied and he himself comes to know that a loan has been sanctioned to him only when the officer comes to him for the first instalment towards the repayment of a debt which he had never incurred.

Q.—Surely such cases are not general?

A.—Whatever it is, such cases though few are happening.

Q.—Who are responsible for this—the village officers?

A.—Yes.

Q.—Is there not the same material which you have to use in regard to the co-operative banks?

A.—Yes. That was why I said a proper staff has to be appointed.

Q.—So the fault lies more with the people in the villages?

A.—Yes. It is due to their illiteracy and their poverty.

Q.—And that is the very material that you have to use in the land mortgage banks?

A.—No. In the villages it can lend through the co-operative societies.

Q.—I am sure you will say that even in co-operative societies the moneys are taken by a few men though in other names. Is that not a fact?

A.—There are some such cases.

Q.—And will not the same history get itself repeated in the case of the land mortgage bank?

A.—That is no reason why the land mortgage bank should not be encouraged. Every way there is bound to be some difficulty.

Q.—Do you think that the co-operative societies as they exist now can be utilized by the Government for sanctioning and granting loans under the Land Improvement Loans Act?

A.—Not for sanctioning. There should be a separate staff for verifying the titles and other things and then the loans can be given through the co-operative societies. You can reduce the establishment charges and there is no necessity for an establishment to go round to collect the instalments.

Q.—Is there any separate establishment by the Government now?

A.—No.

Q.—What do you think of the land improvement loans being given through the co-operative societies?

A.—We thought about it. There is bound to be some difficulty unless there is a proper staff. The Government were for giving the amounts for the distribution under the Land Improvement Loans Act but being in the initial stage we refused to take that work up.

Q.—You referred to some subsidiary industries. Having regard to the fact that these dry areas do not yield much by way of agricultural income to be taken as a normal income which can be got every year, do you consider it possible to improve particular industries to make them feel more secure year after year?

A.—Yes.

Q.—What are the industries that you would suggest?

A.—Well boring in some areas particularly will encourage gardening. I would also suggest sheep-rearing, cumbli-weaving, cotton-weaving, yarn-weaving and all those things.

Q.—Do you think that the present co-operative societies and co-operative banks and other agencies provide sufficient scope by way of financing such industries?

A.—Nothing prevents them from doing that. It is really for the primary society to do that if it wants.

Q.—There are some who advocate the starting of industrial banks for such purposes. Do you agree with that view?

A.—It is for big concerns. I think for the village industries you can leave the matter to the primary society because it will be easy for it, instead of having to approach the authorities in Madras and other places.

Q.—But some have put forward this one difficulty. It is this. If articles are produced in the villages, there is no regular organization for serving as an emporium for collecting them and selling them at the market for the best price. Have you thought about it?

A.—There are the loan and sale societies and they can deal not only with the agricultural produce but other things as well.

Q.—So you think that there is a possibility?

A.—Yes.

Q.—Can such emporiums be organized under the Co-operative Societies Act?

A.—Yes. There again in important villages we must be able to give cheap loans for the building of godowns. If that is done I think it will facilitate the work a good deal.

Q.—What do you mean by cheap loans?

A.—It must be a special loan.

Q.—At a lower rate of interest?

A.—Yes; just like the loans given by the building societies, you can float a separate loan and give it for the construction of godowns and other things. It will materially help the people.

Q.—You mention that the lands are passing away from the agriculturists to other people. Is it to the money-lenders?

A.—Mostly to the money-lenders.

Q.—Does the land pass on to the hands of those who are not direct cultivators but mere capitalist non-cultivators?

A.—Yes.

Q.—So there are very few cultivating landlords year after year?

A.—Yes.

Q.—Is that common to the whole district or is it common only to particular taluks?

A.—It is common to the whole district.

Q.—Do you think that there is any possibility of checking that?

A.—Here too the co-operative movement must come to the rescue, because others are bent upon profit.

Mr. Gopala Menon: I believe you are fully acquainted with the workings of the co-operative societies in this district?

A.—I know to some extent.

Q.—You say in your written evidence 'There is no co-ordination of any kind existing now and it will be useful if there should be co-ordination between the State bank and the co-operative institutions.' I suppose by State bank you mean the Imperial Bank's co-operation with other financing agencies?

A.—I mean the financial help rendered by the State bank to the other banks.

Q.—You consider the State bank, by which you mean the Imperial bank, is the apex bank from which other institutions are to draw their money?

A.—Yes.

Q.—Which are the other financial agencies you refer to? Can you name them?

A.—The co-operative societies, the sowcars of the village, the money-lenders, the indigenous banks, and also the exchange banks.

Q.—Are not the indigenous bankers now getting help from the Imperial Bank?

A.—Only so far as foreign export trade is concerned. It does not help the actual agriculturist or the local industry or trade.

Q.—Is not the Imperial Bank advancing money on jewels?

A.—I do not think that is of great benefit to the ryot.

Q.—I am only speaking of the co-ordination between the different financing agencies. We have to find out whether there is co-ordination existing or not. If there is no co-ordination we have to suggest ways to bring about more co-ordination.

A.—In a way there is some sort of co-ordination.

Q.—Do you also know that sowcars and Multanis receive accommodation from the Imperial Bank?

A.—Yes.

Q.—You also know that the Imperial Bank advances money on the pledge of produce in godowns?

A.—Yes.

Q.—Are there any branches of joint-stock banks here in Bellary?

A.—No.

Q.—Are the produce merchants financing the ryots through local agencies by the help of the Imperial Bank?

A.—I do not think, except for such produce as are to be exported, like groundnut, cotton, etc.

Q.—Do not the Imperial Bank advance money on paddy?

A.—I do not know.

Q.—Do not the Imperial Bank help the co-operative bank?

A.—Yes, in the shape of cash credits.

Q.—So the Imperial Bank have got transactions with the Multanis, the sowcars, the produce merchants, the brokers, the Indian managed joint-stock banks and with the co-operative banks. Is it your point that the help rendered by the Imperial Bank is not enough and that you want more co-ordination between the financing agencies?

A.—Yes.

Q.—Do you not think that when the Imperial Bank advance money on a freer scale, they must have further security and in order to bring about more co-ordination what is the sort of extra security or financial strength which you think the Imperial Bank should expect?

A.—I can speak only so far as the co-operative movement is concerned, and as for them they can have enough of security.

Q.—For the accommodation that the central bank or the State bank may give to the other financial agencies do you not want some security?

A.—Yes.

Q.—You know that these indigenous bankers do not get their account books audited at present. Hence the Imperial Bank or any other central agency will not be able to find out their financial strength?

A.—That is why I have suggested in my note that they may be organized and their accounts compelled to be audited once a year.

Q.—Are you for the creation of a reserve fund for these bankers for purposes of rendering financial aid?

A.—I think it is absolutely necessary.

Q.—Are you for bringing all these financing agencies under a registration board?

A.—Yes.

Q.—Do you think that at present the village money-lender and the village sowcar are essential to the village economy?

A.—Yes. I think they are.

Q.—Do you think that their influence can be wiped out?

A.—Not so easily.

Q.—How will you regulate their business to make them more useful to society?

A.—When they are brought under a registration board and their accounts are audited once a year by recognized auditors and they are compelled to keep a reserve to meet unforeseen losses, then they will prove more useful to society.

Q.—Is it your point that it is only then that the Government should render them help? Is it not?

A.—Yes.

Q.—Can you suggest any means by which the rate of interest at present charged by the indigenous bankers can be brought down? Are you for bringing down the rate of interest by legislation?

A.—Yes, they should be brought down by legislation.

Q.—Do you think people will invest their extra capital with the indigenous bankers?

A.—I know there is very little savings to be invested.

Q.—How do people invest their savings now?

A.—They lend it out to their neighbours.

Q.—Is there much land buying or house property purchase going on here?

A.—Not much.

Q.—Do you not think the vakil class here are buying Government paper?

A.—Some of them do.

Q.—Do you not think that it is only by attracting more capital that the interest on lending can be reduced?

A.—Yes.

Q.—What do you mean when you said that the price of Government paper has gone down? When you said that did you bear in mind the terms on which some of these papers were issued? Which are those papers that have gone down very much in value in the market, bearing in mind the terms on which they were first issued?

A.—I think some Government bonds are selling at a discount at present.

Q.—Have you taken into account the terms on which they have been issued? Five per cent Government paper redeemable in 1933 is being sold for above Rs. 100. It is only the 3½ and 4 per cent papers that are sold for less than Rs. 100 and it is so because the subsequent bonds were for a higher rate of interest. Have you considered those facts?

A.—My point was this that it was not safe to invest in Government paper, as safe as investing in co-operative banks.

Q.—Still you are aware that money is invested in both?

A.—Yes.

Q.—Are you for the cheapening of rural credit? Have you got any suggestion to make in that direction?

A.—I am for the cheapening of rural credit but have not any suggestions for that now.

Q.—Co-operative societies were started for the purpose of cheapening rural credit. Do you think they have fulfilled that purpose?

A.—It is too early to say.

Q.—For how long has it been working now?

A.—For the last five or six years it has been working on a large scale. Before that it was only on a very small scale.

Q.—You replied to Mr. Thomas in regard to a question that he asked you that these co-operative banks should take to commercial banking by way of discounting hundis and bills not only of the members but of the non-members also in order to facilitate internal remittance. Do you think that co-operative banking should be extended in that manner?

A.—I do not see any harm in that. It can be done in order to bring more profits to the co-operative movement.

Q.—Then do you not think that it will come into conflict with the work of other banking institutions, such as, the joint-stock banks and the indigenous bankers?

A.—Not in the near future.

Q.—Do you want Indian managed joint-stock banks to open branches in the rural areas?

A.—Yes.

Q.—Do you not then think that there will be competition between these two classes of banking institutions?

A.—I do not think.

Q.—Is there enough business in a locality like Bellary for several banks to work side by side?

A.—I have no idea about that.

Q.—How is it that you had difficulties in getting loans from the Government for purposes of sinking wells? Had you to wait for a long time?

A.—Yes.

Q.—I wish to know whether there are any pumping societies for irrigation purposes in this district?

A.—No.

Q.—By co-operative societies?

A.—No. Pumping installations by individuals we get some.

Q.—Are they getting loans freely from the Government?

A.—It is pending for a long time.

Q.—You said in reply to a question that the main difficulty experienced regarding attraction of capital to industries is the high rate of interest. Is it not?

A.—Yes.

Q.—Do you think that so long as the present high rate of interest prevails it is possible to attract industrial capital?

A.—It is only in the joint-stock banks and the other exchange banks that the rate of interest is high; not so in co-operative banks.

Q.—Do you think we can get enough money for industries as long as the interest on capital is so high?

A.—Interest must be fixed at a reasonable rate. Of course people will lend their money or utilize their money for such purposes as they can get a better return. But if sufficient Government guarantee is given I think capital will be forthcoming at a reasonable rate of interest.

Q.—How?

A.—In the same way that they raised the capital for the land mortgage bank. These industrial banks are going to be advantageous to the people and I do not see any reason why anybody should grudge to invest in it.

Mr. Hameed Sultan Maricair: You say that mahars registered by Khazis should be intimated to the Registration Department by the interested parties; otherwise the mahars should be treated as null and void. Why?

A.—We find some difficulties. We have to go to the Registration Department for the information because we do not get it from the Khazis at present, and we do not know which Kazi has the information. The parties concerned do not furnish the information.

Q.—But why do you say that unless it is intimated to the Registration Department the mahars should be treated as null and void?

A.—If it is intimated to them then it will be very easy to know.

Q.—But mahars represent money and I do not see what connexion it has got with the Registration Department?

A.—I thought it will include immovable property also and that is why I said in that case if immovable property is transferred it should be done through the Registration Department.

Q.—Mahar is only cash given and no immovable property?

A.—Then I am sorry. I was under the impression it will include also immovable property. If you have no objection, I will change it accordingly from the written evidence.

The Chairman: Mr. Mudaliyar, I would like to ask you one or two questions. The supervision fund to which you refer, you say is insufficient. Can you tell us what the supervision fund amounts to in this district? I think the societies contribute 8 annas per cent on all funds outstanding. Is it right?

A.—Yes.

Q.—And the central banks also contribute?

A.—Yes. It comes to about Rs. 2,000 to Rs. 3,000.

Q.—I think the contribution of the central banks also is 8 annas per cent on all loans outstanding?

A.—Yes.

Q.—You suggest that central banks should send remittances and do such work for non-members also. At present such remittance work is done only through treasuries and for members only. Am I right?

A.—Yes.

Q.—And you suggest that it should be done to non-members also.

A.—Yes.

Q.—Do you also say that it should be done on the same terms as to members? At present there is a concession. Do you want this concession extended to non-members also?

A.—It need not be done free. A small charge can be made.

Q.—In regard to the land mortgage banks, you say that the loans should be given for 25 to 50 years. Is there any advantage in that?

A.—There is.

Q.—In what way?

A.—They can pay the amount in easy instalments.

Q.—Will it not be enough if we lend at 8½ or 9 per cent?

A.—I think you should lend at 7 per cent.

Q.—Then if the bank lends at that rate who is going to pay the bank's expenses?

A.—From the difference of 1½ per cent they can manage.

Q.—And for the reserve fund?

A.—I think it is enough for both.

Q.—I think you agree with me that the easiest system of repayment is the equated payment system?

A.—Yes.

Q.—In making that statement that the instalments should be repayable in 25 to 50 years have you considered what the annual repayment would be? If it is for more than 25 years it makes little difference in regard to repayment?

A.—It is only the principal that would be a recurring amount and the interest will be a varying amount.

Q.—That is not equated payment?

A.—We have got it in the building society. We lend out for 30 years. The interest is 7½ per cent and the amount of principal is equally divided during those 30 years.

Q.—That is not equated system. In the equated system you pay the same equal amount every year, and as time goes on it will consist of more of principal and less of interest. But the amount will be the same. Under the equated system practically after 25 years the amount is not diminished. Have you considered that?

A.—I do not exactly follow you.

Q.—If the interest is at 9 per cent, if you pay 12 per cent of the loan every year, you will be able to discharge the interest as well as the principal in 16 years. If you make it 20 years the equated annual payment is roughly 11½ per cent. So those four years' extension will only reduce the amount payable by half per cent. If you make the payments in 25 years, it would mean a further reduction of only about a quarter per cent. If you make the payment in 50 years then the amount to be repaid every year will not be much less. I suggest therefore that there is no advantage whatever in spreading the payments over more than 25 years. Have you considered this fact?

A.—It is a detail we can work out.

Q.—You suggest the starting of land mortgage banks. You also suggest that the capital should come from centralised debentures, whose interest is guaranteed by Government. Do you think that the instalments will be repaid punctually?

A.—I think they would in some places.

Q.—You suggest that it should be paid once in three or four years. Is that not so?

A.—Only in some places where the crops are liable to fail every now and then.

Q.—What guarantee will the debenture holders have that the amount will be paid punctually?

A.—What guarantee has the Government that their revenue will be paid every year?

Q.—The amount of takavi loans outstanding in this district at present is Rs. 19½ lakhs and the collection of 19½ lakhs has been suspended. But you cannot suspend the collection of debenture loans. What guarantee of repayment is there?

A.—But we are collecting all co-operative dues and in the same way the dues of the land mortgage banks can be collected.

Q.—What is the overdue amount at present in this district?

A.—It is going down every year.

Q.—Have you got the figures?

A.—We have got it in the administration report.

Q.—The present outstanding is very large. Do you think that the debenture holder can be satisfied that the annual instalments will come in punctually? Do you think that on the supposition of repayment once in three or four years you can float debentures? That is the whole problem in the Ceded districts considering the frequent failure of crops.

A.—The overdues can be collected in years of good crops.

Q.—No doubt you can collect a good deal provided the crop is good; but who is going to collect it? Will the village society do it of its own accord?

A.—They can do it.

Q.—Does not the bank have to be constantly worrying about collections?

A.—It is true.

Q.—With regard to takavi loans you say that there is leakage. Who is it that complains of this leakage?

A.—The people complain.

Q.—You estimate this leakage to about 10 per cent of the amount of the loans. Have those ryots complained to the Collector that they have received only 90 per cent of the actual amounts sanctioned?

A.—They are not given sufficient facilities to approach the Collector direct. If they are given encouragement they will complain. If the district officers are kind enough to move freely with the people they will get the information,

Q.—Has any complaint been made by the people?

A.—There was an enquiry in this district. Is it without any complaint?

Q.—Is there a way to avoid this?

A.—I think if the distribution work is put in charge of a separate staff this defect can be avoided.

Q.—Where is the responsibility coming from? Is it the present Government staff that you are complaining of?

A.—They are sufficiently responsible.

Q.—How will you make them more responsible?

A.—By appointing a high officer of the grade of, say, a Deputy Collector in charge of disbursements.

Q.—Even at present if the amount of the loan is more than a certain sum a special staff is sanctioned and put in charge of that. Is it not?

A.—Yes. The leakage defect exists; nobody can dispute that.

Q.—Am I to understand that in the distribution of loans, the distributing officers charge a commission?

A.—Yes.

Mr. Muniwami Naidu: Do you suggest that Tahsildars are parties to this leakage?

A.—I know of certain cases, but I cannot mention names. As a general statement I say it is true.

The Chairman: Can you suggest any means of distribution of money in the villages which would not be open to the very same accusation?

A.—I cannot.

Q.—But you agree that these abuses which you suggest are very much less now than they were some time ago?

A.—I admit it.

Q.—Do you suggest that there is any leakage in the case of loans to ryots from co-operative societies?

A.—I am really ashamed to say that there is some leakage.

Q.—You say "It is highly necessary to maintain a register of titles to and enjoyment of lands in each village by the karnam and they must see that the owner is always a pattadar." For what purpose do you want such register to be maintained?

A.—It would be easy to make enquiries. It will be particularly valuable when you have to decide the maximum borrowing power of the co-operative society.

Q.—But at present is the estimate correct?

A.—It is not entirely correct at present.

Q.—If it is not authoritative it is of little use and if it is so, then you are placing a valuable document in the hands of such a minor official as the village karnam. If it is authoritative it must be maintained by a much more responsible official. Do you agree?

A.—You can maintain it in the taluk office or in the Registration office. I suggested the karnam just only as a matter of convenience.

Q.—You say, "The owner must always be a pattadar." How would you ensure that?

A.—It has to be found out and the registers must be brought up to date.

Q.—Do you mean that all the owners should receive their pattas?

A.—Yes.

Q.—In the area that you know best, is there much lending between the ryots?

A.—You speak of the money-lending done by the sowcars?

Q.—Is it a fact that the majority of the money-lending is done by the ryots themselves?

A.—Very few do it. There are very few actual cultivating ryots who lend money to others.

Q.—Does that not occur further west in Harpanahalli?

A.—Even there the ryots do not do any money-lending.

Mr. Thomas: With regard to land mortgage banks the difficulty is that the instalments may not be forthcoming regularly because the cultivation often fails. Could not some elastic system be devised?

A.—We can say that the arrears should be cleared once in three or four years. In the co-operative societies the overdues were paid during good years. I would suggest a similar thing being done in regard to the instalments of the land mortgage banks. I would otherwise suggest a sort of sliding scale by which the revenue authorities or the proper authorities can decide what percentage of the instalments should be paid in a year.

Q.—You speak of Rs. 10 lakhs being transferred by means of hundis. By whom?

A.—They were mostly Marwaris.

Q.—Are there Marwaris in Hospet?

A.—There are some. They have transactions with the Bombay Marwaris.

Q.—You speak of making the money-lenders combine into a co-operative bank and of Government giving them some facilities. Will that satisfy the land hunger of some of these money-lenders?

A.—They will be able to get money at an easy rate of interest and they might in turn be able to lend on easy terms of course with some profit to themselves.

Q.—But is that the motive for the money-lending? Suppose some of these large landowners lend money with the idea of getting the land of the borrower. According to your scheme they will not be able to get the land they so coveted while they gave the loan?

A.—They will not.

Q.—Further, there is some social importance attached to landowning, so will that not also stand against the money-lenders co-operating? Further, what advantage do they gain by such co-operation?

A.—They will get money for easy terms than they will be able to get from the Marwaris and they will in turn be able to lend on easy terms.

Q.—What is the actual rate now?

A.—12 to 15 per cent. In some cases it may be a little more. It all depends upon the season.

Q.—What is the percentage of the ryots in your province who have savings to invest?

A.—Their number is very small.

Q.—Are there not even 10 per cent?

A.—I would say that the number of cultivating landlords having savings is practically nil.

Q.—Do they invest much in jewellery in your part?

A.—I do not think so.

Q.—Does the ryot borrow money to purchase a plot of land adjoining his own holding?

A.—No.

Q.—Is not a certain degree of consolidation of holdings taking place by the purchases made by the money-lending ryots?

A.—Not by the money-lending ryots. It is only the well-to-do people who are not ryots that try to consolidate the holdings.

Q.—When I speak of ryots I mean both the cultivating and the non-cultivating ryots. Is there a competition in your parts between the co-operative societies and the postal savings banks in regard to deposits?

A.—I do not think that anybody goes to deposit in the savings bank.

Q.—But do you not speak of the middle classes depositing there?

A.—Yes.

Q.—Do the middle-class people in those parts have deposits in the savings banks?

A.—Some deposit in the central bank too.

Q.—Is there more of it in the central bank or in the savings bank?

A.—There is more in the central bank now because we pay a little more interest than the savings bank.

(The witness then withdrew.)

The Committee adjourned to meet again at Madras at 8 a.m. on Tuesday the 21st January 1930.

Tuesday, 21st January 1930.

MADRAS.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Mr. H. F. P. HEARSON, M.L.C.
 Mr. M. A. MUTHIAH CHETTIYAR, B.A.
 Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ey. D. R. BALAJI RAO Avargal, Secretary, The Indian Bank, Limited, Madras.

Oral evidence.*

Mr. Gopala Menon: Mr. Balaji Rao, I believe you have experience of the banking business in this Presidency as a whole?

A.—Yes. My experience is mostly in the city and in regard to the mufassal my experience is confined to what I receive from the branches.

Q.—You know the banking systems throughout India?

A.—Yes.

Q.—You have been long in the banking business?

A.—Yes, I have been in it for the last 22 years. I was an accountant in the Indian Bank and I am now the Secretary for the last two years.

Q.—You say in your written evidence that the Negotiable Instruments Act is capable of amendments. Can you suggest what sections of the Negotiable Instruments Act badly require amendment so as to remove unnecessary technicalities and make the handling of the negotiable instruments less cumbersome?

A.—I have not thought about it in detail. From my experience I can say that even in a place like Madras there are practical difficulties in the way of presentation of bills and even in the case of dishonouring and presentation to the referee in case of need. There is also the difficulty in regard to the time given for acceptance when the bill has been protested.

Q.—What is the time now allowed for accepting a bill?

A.—I think after the amendment it is 48 hours. Now it is all right. I think legislation is pending on several points.

Q.—Does it make a difference as to whether it is a bill of exchange presented in the city or through one of your branches?

A.—It does not make any difference because the branch draws on its head office.

Q.—Is the person to whom it is presented allowed 48 hours?

A.—It is only in the case of trade bills.

Q.—Do you not consider that as reasonable?

A.—That is all right now. There are some difficulties and one after another the legislature is taking all those points. Further, hundis are not treated as negotiable instruments in the definition given in the Negotiable Instruments Act.

Q.—Are not the hundis negotiable?

A.—They are so only by custom.

Q.—So you want the hundis also to be included as negotiable instruments in the Act?

A.—Yes. In the villages such an inclusion will give more security to such commercial papers being handled.

* For written evidence, vide pages 168—172 of Volume II.

Q.—You have not thought of particular amendments to the Act?

A.—No.

Q.—Lower down in your written evidence you talk of licensed warehouses. What agencies do you suggest should be licensed?

A.—I think it should be given to any bank that can manage or municipality or union or local board.

Q.—Do you mean local bodies?

A.—Yes.

Q.—But are they competent to attend to the work?

A.—Yes. They have only to see whether the area is all right and such other things.

Q.—Do you think that the banks should run them?

A.—Yes.

Q.—Any other bodies that you can think of?

A.—Local bodies and any big merchants.

Q.—Would it be enough if they are merely constructed and leased out to licensees?

A.—That will depend on the local conditions. But any way throughout there ought to be a guarantee that the area is proper, that a certificate to the effect that so much is stored in it will be valid for a bank for lending purposes.

Q.—Do you think that these warehouses can be leased out?

A.—Yes.

Q.—What conditions would you suggest for licensing?

A.—The buildings should be insured.

Q.—Do you require any deposit from the licensee?

A.—There should be a deposit fee.

Q.—Do you think that the licensees should be men of financial standing?

A.—Certainly.

Q.—Should banks have any control over these warehouses if they are licensed? Do you think that is possible?

A.—It is not possible.

Q.—What is the area within which you suggest that there should be these warehouses?

A.—That depends upon the local produce and the local circumstances.

Q.—Is it your idea that the warehouses should keep the goods in anticipation of sale?

A.—Yes.

Q.—Is there any particular reason why you like the agricultural loans to be in the form of bills?

A.—Agricultural paper is what I referred to. It must be made negotiable. My idea is that every village should have a bank. The mahajans of the village should pool their resources and form themselves into a bank on which the local magnates may sit as directors, and to such people the branch banks of the joint-stock banks may lend.

Q.—Are the ryots in the habit of keeping commercial accounts of their farms?

A.—No, that is the trouble. That is due mostly to their illiteracy. I would suggest for that propoganda work *pari passu*.

Q.—Will there not be some difficulties?

A.—Yes. But if you adopt the vernacular script the difficulties may be avoided to some extent.

Q.—Do you not think that it would be better for the land mortgage bank to lend direct?

A.—They do it now.

Q.—Can you quote any example of the agricultural paper being negotiable in any bank, not necessarily in India, but in any other place?

A.—I think the system prevails in Canada.

Q.—Do you know the system prevalent in France in the form of 'Bill de Agricole' issued by the bank of France?

A.—I do not know that system. But I know the system in Canada.

Q.—You say that 'there are enough facilities but, as long as the existing disparity in the rates on mortgage loans and deposits with any of these institutions (indigenous bankers) exists, it is only an offer of very high rates that will attract deposits to themselves'. What is the reason?

A.—What is now offered is $4\frac{1}{2}$ per cent while the interest charged is 9 per cent.

Q.—If you attract very much capital to the joint-stock banks would it be a handicap to the agricultural and the other mortgage banks to get funds and give loans to the agriculturists?

A.—I do not think that we go so far down.

Q.—Do you not think that there would be a competition between the joint-stock banks and these land mortgage banks?

A.—There will be no competition because each has its own way of financing.

A.—There will be no competition because each has its own way of financing and those whom some of the banks do not help will go to the other.

Q.—Do you think there is sufficient hoard in the villages for attracting it as deposit to these joint-stock banks?

A.—I think that the people in the villages are very poor and very improvident. If they get anything by way of sale of produce at the harvest season, they spend and during occasions of marriage they are very improvident. That is their economic position everywhere.

Q.—You know that these people invest their money in jewellery and also keep cash with them. Could all this money be diverted to banking business?

A.—Yes, if they are taught that by keeping money with them they would be losing what they might otherwise get and if they also have the courage and the confidence that the joint-stock bank is a safe place in which they can invest money. Then I think that much of the money now being hoarded will be forthcoming.

Q.—You are therefore for creating a banking habit?

A.—Yes, but the banking habit must be taken to the very door of the people. It must not be made difficult but it must be made as easy as in the case of the Post office.

Q.—You mean that it should be like the Post Office Savings Bank?

A.—Yes.

Q.—What facilities would you afford to these people to open savings bank account in these branches?

A.—I think a better rate of interest can be given.

Q.—What is the rate of interest now allowed?

A.—I am giving $4\frac{1}{2}$ per cent.

Q.—Can you raise the rate?

A.—No.

Q.—Would you allow this savings bank account to be operated by means of cheques?

A.—It is current now. Cheque forms without the use of the stamps are being utilized.

Q.—Is it prevalent all over the Presidency?

A.—In all my branches it is so.

Q.—How will you discriminate between a cheque drawn on a current account and a cheque drawn on the savings bank account?

A.—So far as the form is concerned there is no difference. But in the case of the savings bank account the pass-book should accompany.

Q.—Is it not enough if you ask the savings bank depositor to write on the face of the cheque 'Account—Savings Bank' instead of asking him to bring the pass-book?

A.—No, because the pass-book is the security as in the case of the Post Office Savings Bank.

Q.—Are these cheques negotiable?

A.—They are negotiable only if the pass-book accompanies.

Q.—What I want to find out is how to facilitate the negotiation of cheques. Would you have any objection in allowing those who have savings bank account to draw cheques specifying against them that it is savings bank account?

A.—Of course that could be printed.

Q.—Would you have any objection in the pass-books being written up periodically?

A.—No. But my object in giving a higher rate of interest on the savings bank account is because there is a check on the withdrawals and there is bound to be some money remaining always with us. But in the case of the current account a man is at liberty to withdraw his whole balance without giving me any notice. So if the restrictions in regard to the withdrawals are removed then there will be no difference between the savings bank account and the current account and there will not be that consideration for giving a higher rate of interest on the savings bank account.

Q.—You want some sort of handicap then?

A.—Yes. But the pass-book has to accompany, because it is said that a man shall not draw more than Rs. 100 in a calendar year. Supposing three cheque forms are sent simultaneously in the name of three individuals. To which should I give preference?

Q.—So you want to restrict the negotiation?

A.—Yes. At the same time there should be a cheque on the withdrawal.

Q.—You still think that you can cultivate the savings habit?

A.—Yes.

The Chairman: The only object of using the cheque is to avoid stamp duty?

A.—Yes. That is the only privilege now accorded.

Mr. Gopala Menon: Do you think that the people have opened more current accounts after the abolition of the stamp duty on cheques?

A.—Yes, to a certain extent.

Q.—Do you have an appreciable increase in your bank?

A.—Yes. The account has increased considerably. I have introduced also the vernacular script but it has not got on somehow.

Q.—Do you think that in the towns where you have opened branches the people are finding it difficult to fill the forms printed in English?

A.—Yes I do. I insist on the vernacular script being adopted in the village tracts.

Q.—What about your view with regard to the endorsements in the vernacular?

A.—That is one of the items in regard to which the Negotiable Instruments Act should be simplified.

Q.—Do you find much difficulty in deciphering the endorsements on a cheque made in the vernacular?

A.—All these observances in regard to the endorsement being correct have been the outcome of the foreign environments. Suppose the endorsement is 'Jones Esquire'. Certainly the cheque will be returned.

Q.—What sort of cheque—bearer or order?

A.—Order cheque of course. No normal man will while making the endorsement write after his own name the word 'esquire' and naturally the bank suspects a forgery. No decent Englishman would say 'esquire' after his name in the endorsement. But here in India there are ever so many difficulties. Suppose a man of the name A. Krishnaswami Iyer writes as 'A. Krishnaswami Aiyer' the cheque will be returned. After all Aiyer or Iyer is not a part of this name. All these difficulties are of a technical nature merely.

Q.—What you say is with regard to the blank endorsements where the bank's responsibility is not so much as in the case of restrictive endorsements. Is that not so?

A.—But at any time an endorsement in blank may become a restrictive endorsement. That is one of the points now taken up by the legislature.

Q.—Do you want to restrict the rights of the holder of bearer cheque to endorse it specially payable to somebody?

A.—My own opinion is this. There is the production of a cheque which purports to be endorsed by a certain person. The person paying in the ordinary course of business is exonerated. But now it is restricted to the payee and the cheque will have the signature of the payee. All this technicality has to be removed.

Q.—If a bearer cheque is endorsed specially to a person are you for restricting the power of the holder for endorsing it in that manner?

A.—You can put a check on that.

Q.—All that you want is that it should be regularly endorsed?

A.—Yes. These technicalities should not be made to apply. The question is whether an endorsement is a bona fide one or whether it gives rise to suspicion.

Q.—Do you find much difficulty in paying cheques on which endorsements are made in the vernacular?

A.—Yes.

Q.—Therefore, you want to restrict their power?

A.—No. It is this way. The cheque says 'Messrs. Bell & Co.' written in English and the endorsement is in Tamil. The question is whether the English phraseology should be translated or whether it should be transliterated. That has always given me trouble.

Q.—Apart from that, if the endorsement is made correctly you take the cheque?

A.—Yes.

Q.—Do you know that there is a legislation now pending in the Assembly in which there is objection to the use of the vernacular endorsement and what opinion have you got to express on that?

A.—There cannot be any difficulty in regard to that because our officers who know the languages of the people can easily decipher the endorsements.

Mr. Hearson: Is it not enough if the endorsement is phonetically correct?

A.—Yes. That is what I am driving at.

Mr. Gopala Menon: On page 5 of your written evidence you make some observations with regard to the Imperial Bank. Do you want that the Imperial Bank should be devoid of Government funds or in the alternative that it should deal with public funds only?

A.—No. It is not so. It is now neither a reserve bank nor a commercial bank altogether. It enjoys the benefits of Government and as it deals with all Government debts, it is entitled to some commission and various other privileges. But then its free use of public funds against the joint-stock banks is a real cause of complaint.

Q.—You do not think that it is performing the functions of a central banking institution now?

A.—Yes. Either it should not compete with us in the mufassal or we should also have proper guarantees of some measure of public finances.

Q.—But as it stands now it is rendering help to other financial institutions and agencies. Do you have any cause for complaint in that direction?

A.—Yes, because they always offer cheaper rates.

Q.—I am only telling you of the relationship of the Imperial Bank with other banks, and agencies. They are helping the Marwaris and Multanis, small money-lenders and exchange banks by way of overdraft and they are also rendering help to produce merchants and middlemen. They are rendering help to co-operative societies. Then what else do you want?

A.—Yes, they do.

Q.—You therefore think that there is not much of a co-ordination between the Imperial Bank and other financial institutions in the country?

A.—But it could be improved. There is some co-ordination now.

Q.—In your opinion, therefore, the co-ordination should be increased and the basis of competitive element abolished?

A.—Yes. That co-ordination should be increased towards other banking institutions, but with regard to small bankers such as money-lenders, they should conform to certain regulations. They are not publishing their balance sheets, their accounts are not being audited, they do not publish their statements of assets and liabilities, etc.

Q.—Do you think that because these small money-lenders are not keeping regular accounts, and the accounts kept are in their own language, there will be any difficulty for the Imperial or the Central Bank, when established, to create mere co-ordination?

A.—Yes, they do. The Income-tax officers inspect them occasionally. But I think that their accounts should be audited and that they should make out their balance sheet in English so that the Imperial Bank may see their financial position properly.

Q.—I want to know to what extent you are rendering help for financing the trade of this Presidency and in what ways?

A.—We are financing the Chettiyars and other small bodies. We have discounted Multani hundis to about Rs. 30 lakhs and in the branches we lend freely on agricultural produce. In Alleppey we have opened a branch and are doing good business. But there it is one kind and in Guntur it is another. In Madura we used to finance on dye-stuffs and yarn largely. But after the War that business has been stopped.

Q.—What is the total amount of your fluid reserve now?

A.—If Government paper is included, it will come to Rs. 50 lakhs.

Q.—What proportion of it do you utilize in financing the trade of the country?

A.—In Guntur we have placed about Rs. 31 lakhs. In Alleppey about 17, and in Coimbatore about a few lakhs. All these, I think, come to about Rs. 50 lakhs.

Q.—On what articles do you lend generally?

A.—Rice, groundnut, cotton, etc.

Q.—Is it as open loan or as key loan?

A.—Mostly key loans. Except in the case of a few big merchants in Alleppey we have not given open loans.

Q.—Do you think that the loans you are giving to the Marwatis and Nattukottai Chettis are indirectly helping trade?

A.—Certainly. Because they bring on genuine trade paper.

Q.—Have you any proposal to make with regard to clearing house system, and when you have branches in the villages and mufassal towns, what agencies should be brought into existence in order to connect the clearing house of the towns with the mufassal?

A.—There may be clearing houses in district centres and if there are too many villages they may be subdivided into several sections and these may be brought into any of the clearing houses.

Q.—I take it that clearing houses ought to be in the headquarters of the town?

A.—Yes. Wherever there are many cheque transactions there ought to be a clearing house. If cheque transactions are not enough there is no use in opening clearing houses.

Q.—I therefore take it that in order to facilitate business you want a country clearing and a town clearing?

A.—Yes.

Q.—What are the conditions under which you are entitled to become a member of the clearing house?

A.—The Imperial Bank does not admit everybody. I think some status is necessary.

Q.—Do you think the present conditions are quite enough?

A.—I think it is quite enough.

Mr. Hearson: May I ask you something about licensing of warehouses? I suppose that you have constructed warehouses and that they are controlled by some reputed authorities who guarantee to the receipt. What proportion would you suggest of the total amount of the produce should be guaranteed?

A.—Twenty-five per cent of the total amount.

Q.—Supposing you have got goods worth 20 lakhs. You therefore have to deposit 25 per cent on that. You naturally require some joint-stock companies or Port trust to guarantee to it?

A.—Yes. The bank itself may guarantee.

Q.—But it must be a constituted body?

A.—It has to be recognised. It may be some joint-stock company or some licensing body of considerable financial status. If the warehouse is to be constructed in a village, some village bodies have to be constituted. There is the village union which may undertake this.

The Chairman: If it is your desire to extend godowns in villages, and towns, I may say that co-operative societies have been pushing the business for some time, and the difficulty is that if they leave this work to these bodies, by the time the goods are taken out to the market, they find the goods damaged or eaten by worms. A specific instance like this has come to my notice.

A.—But it would not be the case in general.

Q.—This is what happens if you lend on produce which is retained in the custody of the borrower. You say there are different ways of storing. Do you simply put the paddy into a godown, or preserve it in any other manner?

A.—We only preserve turmeric, but not paddy. It depends upon the nature of the goods to be stored.

Q.—If you think that this is a workable proposition, can you suggest the reason why many have not come forward, though Government have offered to give the co-operative societies loans up to 25,000 in each case and pay half the cost of building these godowns, and a concession that the loan may be repayable in 20 years?

A.—I have no experience of that.

Q.—The reason appears to me to be this. The cost of a godown to be constructed by Government is rather heavy; the godown is to be a solid one which can be locked up efficiently. It is only going to be used for a very short season in the year. In the rest of the year, i.e., for nine months, when you have got nothing to store, it has to lie idle. The godown must fetch sufficient profit during the three months during which it is to be used, and considering the godown rent, the capital involved, it is hardly a profitable proposition and hence their unwillingness?

A.—Yes. That is a serious matter, no doubt, but if it is not possible in villages, in big towns the scheme may work successfully.

Mr. Hearson: Particularly in the north-east, the Imperial Bank advanced lot of money as key loans. They are unsatisfactory. We had to go and inspect them very often and we found that quite unsatisfactory?

A.—I think anybody advancing money on goods in godowns must necessarily go and inspect them, unless they are insured.

Mr. Gopala Menon: Are you not getting these godowns insured?

A.—Yes.

Mr. Hearson: In your written evidence you say that though the feeling is very strong against their existence, still the Marwaris are tolerated as a necessary evil. You say that they charge far higher rates of interest. Are the Marwaris to be blamed for that? Don't you want to reform all social and particularly marriage customs of the country?

A.—The reason is the improvidence of the people.

Q.—Don't you think that they must naturally have to charge a higher rate of interest to cover risks?

A.—But there ought to be a limit to it. They usually charge usurious rates.

The Chairman: The Marwaris function as pawn-brokers also. They lend on vessels at a low rate. I have examined a certain case myself. I find that in the above cases they are lending at about 6 per cent interest.

Mr. Thomas: Are there sufficient facilities for the financing of internal trade in South India at present?

A.—I think there can be more.

Q.—In what way?

A.—To finance agriculturists, to lend them on their goods and on promissory notes. We have not got sufficiently into the interior at all where real produce is marketing.

Q.—Are there sufficient facilities for discounting internal bills of exchange or hundis?

A.—It is all a question of banking facilities—which must be improved.

Q.—Why are they lagging behind?

A.—There is not sufficient encouragement.

Q.—By whom and in what ways?

A.—The difficulty is this. When a branch bank is started in the urban area, we ought at least to get a certain deposit to run the office. It is not always possible to expect money from the head office to the branch. In the season every available money is utilized in the head office itself. It is only in the off-season that the trouble arises, and unless there are deposits in the villages themselves, there will be difficulty felt to run the bank.

Q.—Which are the institutions that now finance internal trade?

A.—The Multanis, the local money-lenders and co-operative banks.

Q.—Do not the branches of the Imperial Bank finance internal trade?

A.—Wherever the Imperial Bank has got a branch it does.

Q.—You also finance internal trade, don't you?

A.—Yes, we do. Wherever we have got branches, we do.

Q.—Do you require any facilities for the same?

A.—There is a great need for that.

Q.—Do you finance industrial operations?

A.—No.

Q.—What about the Bezwada mills?

A.—We do. That is one of the latest instances.

Q.—You have been also financing the copra industry in Alleppey?

A.—Yes.

Q.—Is that industry successful?

A.—Quite successful, we have no reverse. We also finance groundnut industry.

Q.—Do you underwrite?

A.—No, we do not.

Q.—Do you carry on agency business?

A.—Yes. We are now agents for the Central Bank of India, Bombay.

Q.—Do you collect dividends and other dues for your clients?

A.—Everything for others.

Q.—What kinds of deposit do you take?

A.—We take, three kinds of deposits—current, fixed and savings banks. And in the season when there is great demand for money I pay a high rate of interest, if I could invest it on a better enterprise.

Q.—Your deposits have increased during the last 10 years?

A.—Considerably. I think it is one crore and 86 lakhs as on 31st December 1929 and I think I have increased it by 50 lakhs in the last three or four years. I am only speaking from memory, but I may say that it is increasing in leaps and bounds.

Q.—Have you been increasing it at the expense of some of the other banking institutions?

A.—No.

Q.—Do you know of any dwindling of deposits in other banks?

A.—All the banks are getting more deposits.

Q.—Have the exchange banks also increased their deposits?

A.—Yes, they are also increasing.

Q.—From what class of people do you receive deposits?

A.—Mostly from the professional classes. The poor and middle class resort to the savings banks and the mercantile community and monied classes who have no other investment go to fixed deposits. They also open current accounts. Vakils and other professional men deposit their money with Nattu-kottai Chettis.

Q.—Have you lowered or raised the rate of interest on deposits during the last five years?

A.—I have increased it. I have increased the rate to 5 per cent.

Q.—But I find that the tendency in the money market has been to lower the rate?

A.—It all depends on circumstances. When there are competing banks you have to raise the interest.

Q.—From what kind of banks do you fear competition?

A.—I fear competition with most of the Government banks, particularly with their treasury balance and their periodic treasury certificates. The Government take up a lot of money which otherwise would have come to us. During the last few months, I have lost about 6½ lakhs by way of deposits, for the depositors will get 5½ per cent if they take treasury notes.

Q.—So you have raised your rate of interest on deposits?

A.—Yes, by about ¼ per cent for two years.

Q.—On what security do you lend?

A.—Mostly on house and buildings, on joint pro-notes, and joint signatures; then on collateral securities, on equitable mortgages and generally on produce.

Q.—Do you not lend to landowners outside?

A.—No, unless they bring joint signatures.

Q.—What is the percentage of your loans on mortgage of lands?

A.—I do not know. I know only of houses.

Q.—How much?

A.—If the amount is very large, say for instance Rs. 25,000 we will charge a bit lower than we would for Rs. 5,000. I take all precautions to see that the encumbrance certificates are appended and the party's title is examined by my legal advisers. Every precaution is taken to see that we are not cheated.

Q.—At what rate of interest do you lend on Government paper?

A.—We do not lend on Government paper, because the Imperial Bank offers at the bank rate; but I cannot lend at the bank rate.

Q.—Did you do it formerly?

A.—No, unless the party requests. I used to tell them that the Imperial Bank rate on Government paper would be cheaper.

Q.—Have you advanced any money to Messrs. C. K. Narayana Ayyar and Brothers?

A.—By means of some intuition I avoided it.

Q.—What fluid resources do you keep?

A.—As fluid resource I keep about 20 lakhs of Government paper, about three to four lakhs of Municipal Bonds and a large cash balance with the Imperial Bank.

Q.—What is the proportion or extent of such resources?

A.—It will be from 12 to 17 per cent in the busy season. I may even be tempted to draw out a little more because I have got an overdraft arrangement. I can meet any demand by resorting to my overdraft resources. In the slack season my percentage will be much more, even 20 per cent at times.

Q.—Certain securities depreciate? Don't they?

A.—Yes, even Government paper sometimes goes down in value.

Q.—Do you make any provision for that?

A.—Certainly I do. I keep a contingency fund to meet all such contingencies.

Q.—Do you think your fluid resources are sufficient?

A.—From my experience I find them very ample, and sufficient to meet even heavy demands.

Q.—If there is a run?

A.—I can manage even if there is a run.

Q.—How many employees have you?

A.—Do you want in my head office or including all branches.

Q.—In the head office?

A.—In the head office, I had about 60 clerks and about five or six officers.

Q.—Are they all trained hands?

A.—They are.

Q.—What training have they had?

A.—Some have passed the Government Diploma in Accountancy while others have had training in other banks.

Q.—Do you take graduates?

A.—Oh, I have got so many.

Q.—How many have you?

A.—I have got even half a dozen B.A., B.Ls., and three or four Honours men. I find them very good. They pick up work very quickly.

Q.—Have you any credit lines with foreign banks?

A.—I want to open. I am just getting into contact with the Midland Bank. There are so many remittances we make to England, remittances from our constituents for the education of their children. There are so many lawyers who want to remit money to the Privy Council and so on and hence I am making arrangements with the Midland Bank.

Q.—Have you been successful?

A.—I am only just starting it.

Q.—You have some knowledge of nidhis, I believe?

A.—Oh, yes.

Q.—Are they really mutual credit institutions?

A.—You mean like co-operative societies?

Q.—Yes, mutual benefit rather than profit seeking?

A.—They are not so. They are pucca commercial concerns. They lend on houses and jewels to anybody and everywhere.

Q.—Do they help the accumulation of savings?

A.—Some of them have savings banks and current accounts. I know of some who had gathered good savings.

Q.—Do you think the provisions of the Indian Companies Act sufficiently guarantee the security of the money deposited in the nidhis?

A.—I am not sure.

Q.—Perhaps you know something about recent judgments about nidhis?

A.—Yes, I know. There is a talk about their being brought under the Indian Companies Act.

Q.—What protection would you suggest?

A.—At present the nidhis take in shares and take back shares as and when people like. Under the Indian Companies Act surrender of shares will have to be considered as writing off of capital and all the consequences arising out of that have to be observed. But this is very irksome. I think the surrender of shares should not be treated as surrender of share capital. That is what Diwan Bahadur Krishnaswami Rao also wrote to the Government.

The Chairman: It is surrender of share capital. Is it not? You cannot get away from that fact?

A.—You pay in and take it back as you like. Of course technically it is so. But it is very irksome. It should be treated just like subscriptions, otherwise it will be very difficult to carry on work.

Mr. Thomas: Are the books of the nidhis properly audited?

A.—Now they employ certified auditors and have their books properly audited.

Q.—Do you think the nidhis have too many directors?

A.—I do think there are too many and that they are eating a major portion of the profits. In the Mylapore Fund the number of directors are too much; so also in the Triplicane Fund.

Q.—You spoke about pooling the resources of the indigenous banker and the money-lender? How could we achieve this? What is the inducement?

A.—They are to be taught by means of propaganda that by pooling their resources they stand to gain in every way. They will then find they can lend at cheaper rate and get a better return.

Q.—In that case will they be able to lend to all the classes to whom they are at present lending, I mean especially the improvident classes?

A.—Yes.

Q.—At what rate do they now lend to merchants?

A.—It depends on local conditions, but I think I can say they generally lend at 12 per cent.

Q.—Is that rate exorbitant?

A.—It is not.

Q.—Do you deal with Marwaris?

A.—I do not deal with them direct except sometimes I discount their hundis.

Q.—What do you think about the development of joint-stock banks in South India? What are their principal tendencies?

A.—I think there is a tendency towards stagnation. They are not making much headway. I feel it in my own office.

Q.—Have you not been opening many branches?

A.—I have not, at least as many as I would like to. I want to open three more branches, but I am unable to do so.

Q.—Why?

A.—Firstly, I cannot get properly trained men. Secondly I am not sure of a return and if I go to a place of some importance the Imperial Bank is already there.

Q.—Are there not places where the Imperial Bank has not opened branches?

A.—There are several places, but the fact is there is no guarantee that those places will be remunerative.

Q.—If you encourage the depositing habit, the branch will be remunerative. Is it not so?

A.—Yes. By propaganda work and by opening tentative banking offices new branches can be made paying.

Q.—You spoke of lack of trained men. What sort of trained men do you require?

A.—Book-keepers can be obtained without difficulty and can be trained easily. It is the managerial staff that is difficult to obtain.

Q.—Is the G.D.A. training sufficient for a clerk?

A.—It is sufficient for the post of an accountant, but not for a manager's post.

Q.—What about the B. Com.?

A.—Even there, there are two courses. One is the secretarial and the other the accountancy branch. Some Bachelors in Commerce are auditors only.

Q.—Do you happen to know anything about the working of joint-stock banks in Malabar, Travancore and Cochin? Do you know whether they are developing on sound lines?

A.—I am afraid they are taking too many risks. The way they advertise and offer rates of interest are not conducive to sound banking.

Q.—Would you suggest some form of legislation for joint-stock banks, say as in Canada?

A.—I think our country is not so much developed.

Q.—Is it not time that something was done to guarantee safety?

A.—You can do it, but the Canadian methods are very much in advance.

Q.—But Canada is a new country?

A.—But everybody is literate there.

Q.—Then what methods would you suggest?

A.—Proceed to deal with the present difficulties and give more facilities. In the end we will gradually evolve a system of banking which is suited to the country. I will not advise the wholesale bodily copying of foreign methods.

Q.—Do you know of any bank failures in the last ten years? What were the causes?

A.—There was the failure of the Bengal National Bank.

Q.—I do not refer to other Provinces. I am asking about bank failures in South India.

A.—The causes were due to speculative investments and improvidence.

Mr. Muthiah Chettiyar: Would you have the Government run the warehouses at taluk headquarters? Will not the banks have more confidence if the Government were to run them?

A.—Certainly. I shall be only too glad if the Government will undertake that work.

The Chairman: Do you know the system prevalent in Java where the Government runs pawnshops?

A.—I do not know of that.

Mr. Muthiah Chettiyar: About agricultural paper you say that the period should be longer. What would you suggest should be the period?

A.—I think it should be 12 months. You will have to wait for another harvest.

Q.—You were saying about the exorbitant rate of interest charged by the money-lenders. What do you think will be the net yield on the capital invested by the indigenous banker after taking into consideration the losses and expenses?

A.—Of course when he charges the high rate of interest he takes into consideration the total loss, the partial loss, legal expenses, delay in recovery, etc. The indigenous banker realises on the whole 7 or 8 per cent on the capital invested.

Q.—What will be the yield to the indigenous bankers in towns, viz., the Multani and Nattukottai Chettis?

A.—The yield on the capital invested will be of course 9 per cent.

Q.—Do the indigenous bankers experience much difficulty in the recovery of their loans?

A.—No, because they know the men, they are on the spot.

Q.—Do you mean to say that there is no delay in recovery at all?

A.—There are cases in which delay occurs and for which they have to go to court for recovery.

Q.—Can you give the proportion of loanable capital in the hands of money-lenders and indigenous bankers compared with the loanable capital with all the other banks?

A.—I remember to have seen a figure worked out in Mr. James' book. I think the total loanable capital with them is 25 per cent of the whole.

Q.—My information goes to show that it is five-sixths?

A.—It may be so.

Q.—Could the indigenous bankers be replaced?

A.—Impossible.

Q.—Has the co-operative movement to any extent replaced these people?

A.—Yes; they have relieved the agriculturists.

Q.—Do the people in the villages prefer the co-operative societies or the indigenous banker?

A.—Now the methodical of them come to the co-operative societies and the banks and the improvident always go to the Marwari.

Q.—What is the rate charged by the co-operative societies?

A.—I think they charge 9 per cent.

Q.—For what periods?

A.—For short periods.

Q.—Have you heard of the penal rate?

A.—Yes, there is a penal rate.

Q.—Do you know anything about its working?

A.—I do not know. I have no experience. I know of the penal rate in the Mylapore Fund, and I think it is 2 pies per rupee.

Q.—Have you heard of some societies charging 3 pies per rupee?

A.—May be, I do not know.

Q.—Generally is not the ryot forced to pay the penal rate as the time allowed to him is very short?

A.—Yes.

Q.—What is your deposit rate and your average lending rate?

A.—The average deposit rate is 4½ per cent and the average lending rate 8½ per cent.

Q.—So you have a margin of 4 per cent. Is it not?

A.—Yes.

Q.—Do you not think that it is not possible to lend at anything less than 12 per cent by the indigenous banker in the town?

A.—It is only then that he can make something out of it.

Q.—Did you say banks could be started in the villages?

A.—Yes, village banks could be started.

Q.—You suggested propaganda work. What kind of propaganda work do you suggest?

A.—By means of leaflets, education, cinemas, and by bringing it to the notice of the villagers that instead of hoarding money they can put it in banks and earn interest. Of course, for all this some kind of personal argument is required.

Q.—You were saying the indigenous bankers deduct interest at the time they give the loan. Is it not?

A.—What I have heard is when the Multanis discount hundis they deduct the interest at the start.

Q.—So far as the Nattukottai Chettis are concerned do you know anything about them?

A.—They do not do it; they are much more respectable.

Q.—What is the rate charged by the Urban bank?

A.—Four per cent for one year, 4½ per cent for two years, but in certain cases a little more.

Q.—The deposits of Nattukottai Chettiyars in Madras have gone down when compared with their deposits of a few years ago. What is the reason for the fall?

A.—Some of the Chettiyars' failures are responsible for this.

Q.—Is it one of the reasons?

A.—May be.

Q.—Do you think that the Nattukottai Chettiyars can attract deposits in the mufassal towns where they have branches?

A.—I do not think so. They lend in mufassal and they get deposits in cities.

Q.—Some say that branches of the reserve bank should be opened not only in the Presidency but also in other towns?

A.—They cannot afford to do it. They must leave them open to the joint-stock banks.

The Chairman: Mr. Balaji Rao, I may ask you a few questions. What is the nature of the agricultural paper?

A.—That refers to the long-term usance; on produce, on pro-notes and on hundis; deferred payment, say one year after date.

Q.—What transactions do these represent?

A.—Loans for cultivation expenses. Everything is included, even buying of hulls, seeds, etc.

Q.—Would the bank discount such paper?

A.—They ought to.

Q.—Do you expect it to be repaid within two years' time?

A.—They ought to take long-term deposits also.

Q.—The nature of the business creates some difficulties. Would your bank at present discount it?

A.—Not at present because so much of money is on demand. All my deposits fall due within two years.

Q.—What is the chance of the agriculturist repaying in time?

A.—The produce and the property are sureties.

Q.—How do you recover the money?

A.—By attachment and by legal proceedings.

Q.—This will take a very long time.

A.—Yes.

Q.—Do you think that your bank would be prepared to take the risk?

A.—Yes, if the people are educated and pay the interest.

Q.—You have to educate very many people. You would not undertake to do that business at once?

A.—Until there has been a general increase in the banking education, I would try it on a small scale in some first-class villages.

Q.—Would your bank accept such paper?

A.—Yes, they would.

Q.—Can they realize the money so soon?

A.—There would be no difficulty.

Q.—Do banks discount such paper which is due to be repaid in two years' time?

A.—They at present take on demand deposits. To discount such paper they should attract long-term deposits.

Q.—Some of your borrowers are agricultural people?

A.—Some of them are. They take loans for one year and renew it afterwards if the crop fails.

Q.—Is there no security at all?

A.—I can attach their crops.

Q.—You can attach only through a court of law. Then how long will it take?

A.—I can attach them before judgment.

Q.—You want a very large staff?

A.—We can get them cheap in the villages. We do not insist on graduates.

Q.—What about getting deposits from them?

A.—We employ respectable people.

Mr. Gopala Menon: You know that the Agricultural Bank of India has opened branches in the City of Madras and other towns?

A.—Yes.

Q.—Have you heard of that bank advancing money in the form now suggested to us?

A.—No, I have not gone into it.

Q.—Is it not the proper function of such banks to advance money on agriculture?

A.—My statement was that if the agricultural banks are not there, the joint-stock banker may step in and do that work under certain conditions.

Q.—What is the amount you will advance to them roughly for agricultural purposes?

A.—Say 50 per cent of the value of the crop.

Q.—What is the security behind those papers?

A.—I want a joint security.

The Chairman: You spoke of the use of cheques in your branches. Are those cheques used to any great extent as negotiable instruments? Am I right in saying that in a majority of cases it is simply sent to the bank and encashed on the spot?

A.—They do not circulate very freely.

Q.—Why is that, do you know?

A.—I think they suspect the man may have urgency of realising the cash. The man who receives the cheque is himself in need of cash. There are others who will quickly cash the cheque when the drawer is not known?

Q.—I will quote a case which came to my notice in Tinnevely. There a man had a current account. He drew a cheque to pay a merchant but he sent his own cheque to the bank and drew cash and paid the cash to the merchant instead of drawing the cheque in favour of the merchant and sending it to him—is that common?

A.—Still cheque habit has not developed in the different places.

Q.—Now regarding the question of hoarding in villages have you any reason to suppose that any of the hoarded money is now coming out?

A.—To a certain extent conditions are better now. The increase in fixed deposits represents the increase in the amount of currency in circulation.

Q.—Does it represent other hoardings coming out?

A.—I believe the bank habit is catching on. More money is being invested and is put into circulation than left idle.

Mr. Muthiah Chettiyar: Could you not lower the rates charged to indigenous bankers?

A.—It won't pay.

Mr. Gopala Menon: Have you any idea of the deposits in these banks? What is the security for these depositors?

A.—I think there should be some representative of the depositors on the board of a bank.

Q.—You mean representatives of the depositors on the board of the bank but in several banks representatives of the depositors are serving?

A.—They ought to be in it.

Mr. Muthiah Chettiyar: Should there be no election for these representatives?

A.—No; they may form a body by themselves. The period of directorship of their representative may be five years. In our bank it is three years. The director need not be a depositor but a representative to watch the interests of the depositors to see that the deposits are properly invested and fairly distributed. Some have spoken to me about that scheme.

(The witness then withdrew.)

Tuesday, 21st January 1930.

MADRAS.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. H. F. P. HEARSON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur V. HAMEED SULTAN MABICAIN SAMIB Bahadur.

M.R.By. M. RAMANATHAN CHETTIYAR Avargal, B.A., B.L.,
Advocate, Mylapore, Madras.

Oral evidence *

Mr. Gopala Menon : Mr. Ramanathan Chettyar, your community is hereditarily known as an ancient class of bankers?

A.—Yes.

Q.—Your communities' transactions extend to the whole of India and outside India?

A.—Far beyond.

Q.—Who manages your offices in the mufassal?

A.—The principal and the agents.

Q.—Is the principal always present or is it generally done through your agents?

A.—Through the agents but the principal controls.

Q.—Have you at any time noticed any defalcations?

A.—Occasionally.

Q.—Not generally?

A.—Not generally.

Q.—You have found them to be thoroughly honest?

A.—They are thoroughly honest.

Q.—You have entrusted them with a large amount of capital?

A.—A very large amount.

Q.—In the second paragraph of your written evidence you say "The rate of interest charged on customers is not heavy and they may be in a position to reduce it if the Imperial Bank also does so". So you are for a definite and fixed relationship of the rates of your borrowing from the Imperial Bank or any other central institution to be fixed in relation with yours?

A.—Certainly, the rate of the Imperial Bank will affect the interest of the Chettis.

Q.—You are for creating a fixed relationship, namely, the rate of interest charged by the Imperial Bank?

A.—It need not be created but certainly it will arise.

Q.—Even without that fixed relationship can you say the margin that ought to be established, roughly at least?

A.—You cannot create that relationship. If there is a lower rate of interest in the Imperial Bank, there will be a lower rate among the Chetti bankers.

* For written evidence, *vide* pages 253-254, volume II.

Q.—Can you tell me what the margin is?

A.—The bankers take the demand for money and the market into consideration and fix it. It may be 1 per cent more and $1\frac{1}{2}$ per cent and sometimes even 2 per cent.

Q.—Is that the difference now?

A.—The difference for the present may be $1\frac{1}{2}$ to 2 $\frac{1}{2}$ per cent. That is the difference that we find. That is only for Nattukottai Chettis. We lend even at this rate or even at a higher rate than this for others.

Mr. Hearson: Above bank rate?

A.—They are borrowing from the Imperial Bank.

Mr. Gopala Menon: Do they also adopt a similar rate?

A.—I do not know much about it.

Q.—Because we have heard that this difference is sometimes double and triple. I am putting the question. Are you positive that the difference is only about 1 to $1\frac{1}{2}$ per cent. You say that in places where the indigenous bankers establish branches, the joint-stock bank should not be allowed to open branches. What are your reasons?

A.—The thing is that if joint-stock banks are allowed to establish branches in local centres, there will be no room for the indigenous banker to spread. Rather there will be competition between the indigenous banker and the joint-stock banker in which case the indigenous banker may not flourish and may not be able to compete with them in the long run.

Q.—Are they not living side by side now?

A.—Now there are some branches. There may be many hereafter.

Q.—Have you heard of any country in which they have imposed similar restrictions?

A.—I am not sure. Indigenous banking died out in England because of the establishment of joint-stock banks. Similar banks have developed into banking institutions. We do not find much of indigenous banking in England.

Q.—You are thinking of the position that will come into existence if a Banking Act is put into operation?

A.—If joint-stock banks are established in plenty.

Q.—You are thinking of the competition if the Government introduces a banking legislation. That is your idea. Is it not?

A.—I think if joint-stock banks grow in number certainly there will be a fall to indigenous bankers. It will affect the indigenous bank.

Q.—You know when the Bank of England was first started there was a condition that no bank should be established within a certain area. But afterwards that sort of restriction was removed in order to find room for other money-lending institutions. Is it your idea that these indigenous bankers will combine and start joint-stock banks?

A.—There is no such combination and they may not start.

Q.—You want that indigenous bankers to prosper without hindrance from outside agency because there are plenty of advantages in it. You want to include Marwaris, Nattukottai Chettis and all kinds of indigenous bankers. You say in paragraph 6 of a central institution and that the Government of any country guaranteeing safe return of deposits would help them?

A.—Yes, it would.

Mr. Muthiah Chettiyar: What is the rate allowed by the urban banks on deposits?

A.—For deposits 4 per cent for one year, $4\frac{1}{2}$ per cent for two years but here in certain special cases a little more.

Q.—Nattukottai Chetti deposits in Madras now have gone down when compared with their deposits a few years ago. What is the reason for the fall?

A.—The history of the Chettiyar failures is responsible for this.

Q.—Is it one of the reasons?

A.—May be.

Q.—Do you think the Nattukottai Chettiyars can attract deposits in the mufassal places?

A.—I do not think so. They only lend in mufassal but they get deposits in the cities.

Q.—There are some who say that branches of the reserve bank should be opened not only in the Presidency town but also in other towns?

A.—They cannot afford to do it. They must leave them open to the joint-stock banks.

Mr. Gopala Menon : In paragraph 7 of your written evidence you say that the deposits in or the borrowings of private banks may be guaranteed to a certain extent by the Imperial Bank. Have you heard of any Government in any country guaranteeing the safe return of deposits made with private banks?

A.—This can be done by the Imperial Bank levying a fee for guaranteeing a certain portion of the deposits on certain conditions.

Q.—But will not the deposits be very large?

A.—They may limit the proportion of the deposits and they may see the balance sheet and other things. They may also fix the extent to which the indigenous banks may be allowed to take deposits and to that extent they may be guaranteed. Rather instead of the Imperial Bank lending money directly to the small trader they may guarantee the deposits of the small traders or the indigenous banks and thus allow the indigenous banks to take in more deposits and facilitate them to lend money to the small traders.

Q.—But how can the central institution guarantee the repayment of the deposits invested in the indigenous banks?

A.—It is something like lending to the indigenous banks. Instead of lending to the indigenous banks you guarantee the deposits and that comes to the same thing.

Q.—What is the sort of security that you can offer to the central institution for doing this sort of guarantee work?

A.—The immovable property or any other sort of security.

Q.—Under the Imperial Bank Act I think they cannot lend money on immovable property. Is it not so?

A.—Yes. They may take any kind of security.

Q.—So you want the bank's money to be earmarked for the purpose of guaranteeing?

A.—Yes. But the Imperial Bank may charge a certain fee for that purpose.

Q.—Do you think that any central institution would undertake a work of that kind?

A.—Certainly, if it is profitable.

Q.—Is it your idea that by doing that greater confidence will be created in the minds of the people to resort to the indigenous banks?

A.—I think so.

Q.—In that case is it not enough if the public come to know of the sound financial position of the indigenous banks by other methods, such as their financial standing with regard to their assets and their liabilities?

A.—There is no necessity for all these because there is no facility offered to the indigenous banks.

Q.—According to you this guarantee by the central institution is to create confidence in the minds of the people and to thereby attract more deposits to the indigenous banks. But if you can create that sort of confidence by other methods do you want a central institution which could utilize its funds for other purposes to step in and do this guaranteeing business?

A.—They do not waste a single pie by guaranteeing. On the other hand they will be able to get more by way of fees.

Q.—But suppose there are certain number of failures. Then the central institution will have to step in to make good the amount?

A.—Yes. Sometimes a wrong judgment may lead to such losses.

Q.—You want to create confidence in the minds of the people and if you can do that by other means do you want the central institution to provide funds for guaranteeing purposes?

A.—Yes. Provide the unused funds; but the publication of accounts and all that will simply involve expenditure without any compensating profits.

Q.—Even now you publish your balance sheet just like the joint-stock banks. If they are properly audited and if there is going to be a legislation in regard to the indigenous bankers as a whole, that will create more confidence in the public. Would not that be enough?

A.—It is an interference which may not be very much liked by the public.

Q.—Do you not think that Government supervision and audit would create confidence in the public?

A.—I do not think so.

Q.—Then are you not limiting the banking profession to a certain class of bankers who satisfy certain conditions in order to attract more money into their business?

A.—I am not for any kind of restriction to be imposed upon the indigenous bankers.

Q.—Suppose you want more funds to be supplied either by the Government or by the central reserve bank if it comes into existence. Would you not like to have a certain amount of money as deposit with the Government or with the central institution if that is insisted upon in order that the indigenous banker may get more accommodation from the Government or the central institution?

A.—Certainly. But it should be made optional to the indigenous bankers to choose as they like, and not obligatory.

Q.—So you are prepared to agree to making a deposit either with the Government or the central institution and undergo an audit?

A.—Yes, if the indigenous bankers choose it as advantageous.

Q.—You say in paragraph 10 of your written evidence that the Registrar's office should have a record of rights. What do you want?

A.—Now if you apply for an encumbrance certificate it takes a good lot of time. Then you choose the document you desire and apply and get it. It may contain nothing and you apply again and months are taken in ascertaining the title. What I want is that every transfer of interest in immovable property must be recorded in the record of rights and the paper showing the owner of the property may be given to the owner so that he may easily transact business on the strength of that and take loans giving that as security.

Q.—You want that to be done?

A.—Yes.

Q.—In the last paragraph (paragraph 12) of your written evidence you want certain restrictions to be imposed upon the non-Indian exchange banks. What kind of restrictions would you place either on these exchange banks or the foreign insurance companies so that this country where they make the profits may be benefited?

A.—One thing is that non-Indian exchange banks should not hereafter be allowed to grow.

Q.—Do you know that the capital in these banks is entirely foreign?

A.—Yes.

Q.—Do you know that they are started in foreign countries either under a charter or by incorporation?

A.—Yes.

Q.—Do you think then that the original directors will allow the branches to be started on the conditions you mention? Do you think that they will agree to any proposal like yours?

A.—Then the hard fact will remain that the whole of the exchange will be in the hands of foreigners.

Q.—Are there any Indian banks that tried to do the exchange business and did not successfully compete with these exchange banks?

A.—So far as the eastern countries are concerned, there are the Nattukottai Nagarattars who are doing that business.

Q.—Their business is only buying bills for transmission purposes. Is it not so?

A.—Yes.

Q.—Do they buy bills and sell them in the open market?

A.—They do not sell them in the open market.

Q.—You obtain drafts for the goods that you ship?

A.—No.

Q.—Then you do not do the business of an exchange bank?

A.—Not much of it.

Q.—If you impose restrictions on the exchange banks, do you think the Indian banks can replace them?

A.—They can slowly replace them.

Q.—Do you think that sufficient money will be forthcoming in India to finance the large amount of export and import trade that is taking place in the various ports in India?

A.—Slowly the money can be got.

Q.—What will be the immediate effect of your proposal?

A.—Things may not be done all on a sudden. They may slowly be effected.

Q.—Is it possible to estimate the probable period within which it could be done?

A.—The attempt has to be made.

Q.—You say now that the Indian managed joint-stock banks are not doing the class of business done by the exchange banks which are really serving a useful function and you want still to restrict their operations in India. Am I right?

A.—Certainly the Indian managed banks will come into existence if the restrictions are imposed.

Q.—But do you not think that the immediate effect will be serious handicap to the trade of the country?

A.—It will not seriously affect the trade because there is no sudden change.

Q.—Do you know that even now the cry is that funds are not adequate for the internal trade of the country, that the financial facilities are not adequate and that no indigenous banker or Indian managed joint-stock banks are fulfilling their function adequately and it is therefore that we want more financial institutions to come into existence?

A.—In that case you can give encouragement to the Indian agencies.

Q.—You can ask for that aid but not to wipe out the exchange banks who are doing a legitimate business and are serving the country in a useful manner. So your opinion is to increase the growth of the Indian agencies?

A.—Yes. The Indian agencies should be encouraged to grow as far as possible and restrictions should be placed upon the growth of the foreign agencies as much as you can.

Mr. Hearson: Do you think that in India there are sufficient banking facilities?

A.—I think that more facilities are required.

Q.—We want banking facilities not for the bankers but for the public. It is the public that are really interested. Do you not think so?

A.—If the bankers have no facilities, necessarily the public have no facilities.

Q.—Are there enough banking institutions now?

A.—There are.

Q.—I see from your evidence that you are more for restricting banking facilities than for increasing them. Is that not so?

A.—I am not for restricting the banking facilities.

Q.—You want to close down the present exchange banks, do you not?

A.—I want also to increase the indigenous banks.

Q.—Are there sufficient banking facilities in India? If not what steps should be taken in regard to it?

A.—The advantage of the indigenous bank is that it is able to reach even places and persons which the joint-stock banks cannot reach and hence if facilities are given to them it would be certainly benefiting the public.

Q.—But do you think it will be a good thing for the country if you stop the joint-stock banks from spreading up-country?

A.—The existing banks may be there as they are. But let the indigenous banks grow and let there be no spreading of the joint-stock banks.

Q.—In paragraph 7 of your written evidence you say that some other institution should guarantee the deposits made in the indigenous banks and that otherwise the public would not trust them. Is it not so?

A.—Yes. Now the indigenous bankers are not taking deposits.

Q.—Why?

A.—Usually they are very shy of deposits.

Q.—But you suggest that the deposits of the indigenous banks should be guaranteed by some central body?

A.—It may be done because it will help both the indigenous bankers and the Imperial Bank.

Q.—In reply to Mr. Gopala Menon you said that some central institution should guarantee the deposits in the indigenous banks. Why should you not have large joint-stock banks? Surely competition is good. Is it not? In this country you are not swarming with banking facilities?

A.—I think that there are plenty of banking facilities to cater to the needs of the public.

Q.—You think that there should be restrictions to the spread of the joint-stock banks?

A.—Yes.

Q.—As regards guaranteeing the deposits in the indigenous banks by a central body or the Imperial Bank, I think that the difficulty is this. If a loan is made to such indigenous banks, apart from it being probably secured, it is for a definite known amount, while for a central body to guarantee the deposits in an indigenous bank the obligation is of an indefinite and unknown amount and cannot be secured. Do you not think so?

A.—That is why I said that a portion of the deposits should be guaranteed.

Q.—You mean a definite proportion?

A.—Yes, say 25 per cent and they may also limit the deposits to a certain figure and they may ask the accounts to be shown to them?

Q.—From day to day?

A.—Yes, arrangements can be made limiting deposits and asking the indigenous banker to stand by it.

The Chairman: I do not quite follow you. Which is the institution that should guarantee the deposits?

A.—The central institution. Any central institution may guarantee.

Q.—But are they going to guarantee your business when you are to have special facilities and you are to exclude them? Are they going to guarantee the transactions of their rivals?

A.—It is not a question so much of rivals.

Q.—But you suggest that they should be prohibited from extending up-country and that the indigenous banks should be given facilities to expand. That is to say, your indigenous bank must be given facilities to expand and the other bank must be prevented from expanding and the latter should guarantee your transactions and enable you to expand. Is that not so?

A.—It is not so. The Imperial Bank instead of lending money actually takes a portion by way of charges for guaranteeing the business of the indigenous bankers who submit to the restrictions the Imperial Bank may impose. It is more or less a case of money-lending by the Imperial Bank itself. Only instead of reaching the small trader yourself you ask a third party to do it, and take the advantage of it.

Mr. Gopala Menon: For that purpose is it not enough if you have scheduled banks instead of a central bank with certain safeguards? You probably remember that during the time of the discussion on the creation of a reserve bank there was a certain number of banks proposed as scheduled banks to that institution?

A.—Instead of starting new agencies with overhead charges you give loans to the indigenous banks who in turn give loans to the small traders. All that is wanted is a guarantee for the deposits in the indigenous banks.

Q.—But before doing that there are several other conditions to be fulfilled. Are there not?

A.—You can impose restrictions. It is more or less business.

Q.—But if you have the scheduled banks, you would be satisfied?

A.—It will be creating more agencies. It is more or less like starting branches. But there is this advantage in the case of the indigenous banker that he gets into personal touch with the small trader whereas the other agencies do not and it will be encouraging the persons already there to get into contact with the small traders.

Q.—Even then you can get into touch with them. Do you not think so?

A.—But that is creating a double agency.

Q.—You are there now and you will be made a scheduled banker to the central bank and get an advance for your purpose. Will that satisfy you?

A.—That is more or less guaranteeing the lending.

Mr. Hearson: In regard to the record of rights I do not quite follow you. Will you please explain?

A.—Every transaction relating to immovable property should be registered in the Registrar's Office or in a separate office. That is every transfer must be recorded in a register showing the name of the person having ownership of the property and you may be given a copy of the register showing all the transactions therein.

Q.—Is that feasible?

A.—It does exist in Malaya and other places.

The Chairman: The difficulty is this. At present you have got the whole thing in the village officer's accounts and even there it is not continuous. The settlement register is written up once in 30 years. The patta is not a title deed and it is not obligatory on anybody to register it. If you make it obligatory you will give a tremendous power in the hands of the village officer. If it has to be done by the taluk office or the registrar's office, then there will be a vast amount of work involving a good deal of expenses. At present there is the village registration for purposes of making the collections. Do you suggest the course that it should be maintained and brought up to date for an entirely different purpose?

A.—Yes.

Q.—But you see that it creates a difficulty. It would have to be centralized and you could not do that in the villages. Do you not think so?

A.—You can centralise.

Q.—And then it will involve an enormous amount?

A.—Yes. Considering the saving of money in litigation the expense is not much.

Q.—You want to register mortgages?

A.—Yes.

Q.—You do not want to register the lease of mortgages?

A.—No; not leases for small periods.

Q.—But will there not be great difficulty in ascertaining the exact position?

A.—It should be something like the swearing of the vakalat. The mortgagor or the mortgagee or both should go to the nearest Registrar's Office or the nearest Magistrate's Office and both should sign on a paper and send it on to land office.

Q.—Would this not involve a very great increase in the number of transactions and a considerable increase in the staff to attend to it?

A.—But there will be a corresponding decrease in litigation.

Q.—But is there not this other difficulty, of having an efficient and honest staff for the successful working?

A.—That can be obviated. The system is working very well in the F.M.S. But we need not start all on a sudden. For every transaction that is done like the mortgage you may make it a point to send a note to the registrar. So inch by inch the work will be proceeded with and mortgage or lease will come into it and slowly all the lands will come in one day if there are transactions affecting them and thus we need not incur a very big initial expenditure.

Mr. Hearson: Regarding the exchange banks, they should by nature be international. Should they not?

A.—Yes.

Q.—If there is an exchange bank in England it must have a branch in India. Now if you say that for the branch to be here half the capital should be Indian and that you otherwise mistrust these banks, will not they in England retaliate and say that no exchange bank which has more than half Indian capital should be there?

A.—But when they have branches here with Indian capital, surely there can be branches in England with English capital.

Q.—The essence of successfully working the exchange banks depends on the international nature of those banks and do you think they will occupy the present position they do if you insist on more than half the capital of their Indian branches being Indian? Would it not break down the strength of these exchange banks? Would it not affect the discountable value of their paper in London for instance? You say that the foreign banks established in India should be reconstituted altogether?

A.—What I want is that they should take in more capital which should be Indian.

Q.—That means that they should entirely change their character. Does it not?

A.—It is not so. It affects only the bank in India.

Q.—Suppose there is a bank in London and in India. If all the persons of the bank were to entirely change their capital, then it will have to be a different bank altogether. Will it not?

A.—No. It is only a question of changing the local capital.

Q.—All the exchange banks are the same. One exchange bank may have branches in India and outside. Surely you cannot have one side of the bank changing the capital while there is no change on the other side? It is international in trade and there is no reason why you should impose upon it local capital?

A.—The branch in India and the branch in Ceylon can have local capital and there is no harm in that.

Mr. Thomas: I should like to know something about the competition existing between joint-stock banks and the indigenous bankers. You say that a banking monopoly will be created if joint-stock banks are allowed to open branches? How can that be?

A.—Yes. All the funds would then be centralised in a few hands.

Q.—This is rather strange; for it is generally thought that the extension of branch banking will have a salutary effect upon the money market?

A.—They may be keen in having separate branches but they are not keen in having very big banks there. I think two or three years back when Mr. Snowden asked a question in the House of Commons whether there was any proposal to amalgamate the joint-stock banks, Government seemed to have said that they looked with disfavour any attempt towards amalgamation. They were afraid that if all these banks amalgamated there would be great consequences. If the joint-stock banks are allowed to open branches they will very much affect the growth of indigenous banks. The only way of helping the indigenous banks would be by discouraging the starting of branches for the joint-stock banks or for the Imperial Bank.

Q.—I take it that the reasons why you are for discouraging joint-stock banks from going into the country are that they will capture all the business which the indigenous bankers are now doing?

A.—But I think the indigenous banks may also grow along with the other banks.

Q.—Then why are you opposed to the growth of joint-stock banks?

A.—Because the capital is centred in a few hands. It will be better to have many agencies doing banking than to have one holding the entire business.

Q.—But joint-stock banks allow even poor people to take shares and thus all classes have an interest in them. But the indigenous bankers have no such relationship with the public. Is it not so?

A.—But, the shares are usually held by very rich people. The poor people do not generally take shares.

Q.—There is nothing preventing even the poorest of men from taking shares?

A.—I cannot say that. What I think is, usually the joint-stock banks are managed and run by a few people.

Q.—It may be so in some cases, but control is very diffuse in others, and there are ways of popularizing control?

A.—But even then there will be capital in a few hands. You cannot avoid it.

Q.—There are means of counteracting it. If people are satisfied that indigenous bankers provide ample facilities, joint-stock banks would not have been resorted to by people, as they have been?

A.—Usually they do not want joint-stock banks.

Q.—But are not joint-stock banks making headway, all the same? Don't you know a few, even Indian-managed ones?

A.—Certainly there are joint-stock banks. Only a few people want it.

Q.—I maintain that more joint-stock banks are needed in this country. They will spread banking facilities to the common people and would increase investment. It would be difficult for indigenous bankers of the old type to do the same to any large extent?

A.—What are the difficulties? Personally I do not see any difficulties.

Q.—If so, why are indigenous bankers migrating from their old haunts?

A.—It is now-a-days found very difficult for the indigenous banks to spread the banking facilities owing to the delays through laws, the impossibility of recovering some of the debts and the loan rates are so unsettled that one always finds it unsafe to invest his moneys with the indigenous banks. These are the difficulties which indigenous bankers are labouring under in Madras and Rangoon.

Q.—Therefore there is now more need for joint-stock banks to take their place?

A.—The indigenous banks do a variety of business which the joint-stock banks do not and so I should think it is more difficult for the joint-stock banks to spread banking facilities than the indigenous banks. The private banker knows when to collect the money. On the other hand joint-stock banks are big institutions and they do not know whom to lend and when to collect. Moreover they often enforce stringent regulations. In co-operative banks they charge double interest if payment is not made on the due date. But this is not done by the indigenous banks.

The Chairman: The co-operative banks do not charge any such interest. Their interest only goes from 9 to 12 per cent after the due date?

A.—In the Mylapore Fund, I think, they charge so?

The Chairman: That is not a co-operative bank. The interest that co-operative banks charge are very reasonable and far low as compared with that of the indigenous banks. If a man cannot pay it in time, it is possible for him to get an extension of time for payment and then no penal interest is charged. If penal interest is charged it is entirely due to the default of the man who has not paid when he could pay. It is no use making any such complaints. The co-operative society is a self-governing institution and its interest ranges between 9 and 12½ per cent.

Mr. Thomas: You know of the failures of indigenous banks many years ago? What were the causes for such failures?

A.—Yes, I think the failure was due to slow recovery of moneys lent outside. The second reason is that people were very slow to pay and they invested a large part of their moneys in business and naturally they were able to return the dues only after obtaining loans from some other sources. These were the causes for their failure.

Q.—It is exactly for this reason that joint-stock banks do not relax their stringent provisions. They do not usually extend the time for repayment and that I think must be necessary for the success of any bank?

A.—It is not so much a question of extension of time. The indigenous bankers sometimes collect even before the due date. If they find that the circumstances of the borrowers are such that they can afford to wait, they wait. But they take all steps to recover their money in the easiest possible manner.

Q.—Such things are also being done by joint-stock banks. But what I want to ask you is, would you suggest any means for protecting indigenous banks against failure?

A.—I think the best thing would be to avoid delay as far as possible. At the same time the provision for filing summary suits may be extended to the mufassal.

The Chairman : You refer to the fact that the capital of exchange banks is mostly held in England?

A.—Yes.

Q.—There are stock-brokers in Madras. There are several firms of stock-brokers in Madras and the shares of the exchange banks are in the market. Can you tell me how much of the shares are held by Indians and how much by Europeans?

A.—I am not sure how much.

Q.—Your objection to the joint-stock bank seems to be generally on the ground that they result in the concentration of share capital into the hands of a few? Can you tell me how many shareholders are in all these joint-stock banks?

A.—Though there may be plenty of shareholders the bulk of the shares are not in the hands of the poor people.

Q.—Can you evolve a system to better the situation?

A.—I do not object to the existence of joint-stock banks. What I say is that there are already enough joint-stock banks and that the private bankers must flourish.

Q.—Your object, I gather, is to protect the interests of indigenous bankers and that you are particularly anxious to better their position as is evident from paragraph 11 of your written evidence. Is the institute you refer to to confine its activities to the bettering of indigenous bankers alone?

A.—It may include also joint-stock banks.

Q.—Can you tell me whether there is any such institute at present?

A.—There is none at present. The indigenous bankers are not very many here. Probably if an institute is opened, it may look after their interests. If some privileges are given, they can function efficiently.

Q.—Would there not be some difficulty in the matter of languages?

A.—English may be made a common language?

Q.—Many of the indigenous bankers do not speak English.

A.—But there are institutions where people who do not know English are members.

Q.—Yes, but the point is, that these indigenous bankers to a great extent belong to diverse communities and they can understand their business only in their mother tongue. The Marwari speaks one language, the Guzaratis another, the Multanis a third, and the Nattukottai Chettis a fourth and so on. Do you propose that all these should be amalgamated into one institute?

A.—Yes.

Q.—May I suggest that in your written evidence you contemplate Nattukottai Chettis only?

A.—Yes.

Q.—Do you think that your answer applies equally to Marwaris, Multanis and Guzaratis also?

A.—Yes.

Q.—You think that somebody ought to form such an institute?

A.—The indigenous bankers may form such an institution.

Q.—But they have not done so? You say that they do not know that it is necessary?

A.—I say that there is no initiative.

Q.—Is there any reason to suppose that there will be more initiative to-morrow?

A.—If the institute is given privileges, I think it can work admirably.

Q.—You cannot give privileges to an institute until the institute actually exists?

A.—I know institutions, which are started only to enjoy privileges. When one institute is started then everything will follow.

Q.—You think that the privilege should be first given and then probably somebody will come and form an institute to enjoy those privileges?

A.—Not to enjoy, but to represent as public body about the grievances of the indigenous bankers, and give all statistics and help to further and better their position.

Q.—You think that it cannot be done without privileges?

A.—Only then there will be inducement, the object of the inducement being to protect and to organize the growth of indigenous banks.

Q.—You say that indigenous bankers can protect their interests if they are given special privileges?

A.—Yes.

Mr. Thomas : What about the Indian Institute of Bankers at Bombay? Are you not aware of that?

A.—No.

Q.—Would it not satisfy you if that institute is re-constituted perhaps with local branches, if necessary?

A.—Yes. If it is done so, it might be enough.

Q.—Is it your desire that the indigenous banks should alone be given privileges and that the joint-stock banks must be discouraged?

A.—Not so. The joint-stock banks may also take their part and grow simultaneously.

Q.—So there is room both for joint-stock banks and indigenous bankers, provided they work together. Is there any possibility of bringing them more closely together?

A.—They may work together, and transactions may be linked up so that they may not work in opposition.

The Chairman : I do not see exactly how this is going to be done. Have you any experience of the working of co-operative societies?

A.—I have no experience.

(The witness then withdrew.)

Wednesday, 22nd January 1930

MADRAS.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. H. F. P. HEARSON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. T. G. DAMODARA MUDALIYAR Avargal, Secretary
and Treasurer, the Egmore Benefit Society, Madras.

Oral evidence

The Chairman : Mr. Mudaliyar, you are the Secretary of the Egmore Fund?

A.—I am the Secretary and the Treasurer.

Q.—That is a nidhi, is it not?

A.—Yes, it is a nidhi.

Q.—What is its size?

A.—The nominal capital of our society is 25 lakhs of rupees and the working capital Rs. 15 lakhs. The paid-up capital is 6½ lakhs of rupees.

Q.—Is the capital paid up in a lump or in instalments?

A.—It is paid up in monthly instalments.

Mr. Hearson : How long has your society been in existence?

A.—The parent society was started in 1870 and the third branch in 1886.

The Chairman : What is the share value in your society?

A.—It is Rs. 250 in our society.

Q.—For each share for how many months does the man pay in instalments?

A.—Seventy-nine months. They pay at the rate of Rs. 2-8-0 per month.

Q.—At the end of 79 months the amount is considered to be fully paid up. Is that right?

A.—Yes.

Q.—Then the depositor is allowed to withdraw the money?

A.—Yes.

Q.—So for every Rs. 79 a man pays at the rate of one rupee per month for 79 months he gets Rs. 100. Is it not?

A.—Yes. He gets Rs. 21 more.

Q.—Am I right in saying that some of the nidhis have come down to the position of having a fixed share capital?

A.—Yes, they have a fixed share capital.

Q.—And they treat the payments as deposits. Is it not?

A.—As recurring deposits. We also propose to modify our by-laws accordingly.

Q.—Is there any defect in that?

A.—There is no difficulty; but we want to see how other nidhis whose by-laws have been modified work. We have already appointed a committee to consider the alterations.

Q.—Do you see any difficulty in the working of the other system?

A.—I think that is better.

Q.—In that case payments will be considered as purely recurring deposits and not as payments towards share capital?

A.—Yes.

Q.—What do you do with this money?

A.—We lend it on mortgage of immovable properties situate within the original civil jurisdiction of the High Court of Madras, on jewels, Government promissory notes and bank shares.

Q.—Whom do you lend to?

A.—To our shareholders.

Q.—Do you lend to non-members?

A.—We had been doing that but for the last four years we have stopped that practice.

Q.—Why?

A.—On account of income-tax. On the profits accrued on loans granted to non-shareholders, we have been heavily charged to income-tax. We paid on that account alone Rs. 3,000 to Rs. 4,000. In order to avoid that we are advancing loans to shareholders only.

Q.—Is it merely to avoid paying this income-tax?

A.—Yes.

Q.—So you decide that you shall earn no profits?

A.—In that way no.

Q.—Does it pay you to do it?

A.—It certainly pays. For every monthly subscription of Rs. 2-8-0 a member can borrow Rs. 250 which will be adjusted automatically when he completes the 79 instalments.

Q.—So if anybody wants to borrow he should become a member?

A.—Yes.

Q.—Can any one become a member?

A.—Yes.

Q.—At what rates do you lend?

A.—We lend regular loans at 6½ per cent and special loans at 9 per cent. By regular loans I mean the loans advanced to the shareholders to the extent of their share capital. If A takes a share and pays his instalment of Rs. 2-8-0 a month he is allowed to take a loan of Rs. 250. Up to that amount it is a regular loan and any amounts above that will have to be a special loan. He will be also granted a further amount but the rate of interest on that will be 9 per cent.

Q.—Does he have to repay this loan in full at the end of 79 months?

A.—If he pays his instalments regularly then the loan is automatically adjusted at the end of the term.

Q.—The shareholder pays Rs. 2-8-0 per month for 79 months and to him you pay Rs. 250 right on the very first day and square the loan account at the end of 79 months. Is it not?

A.—Yes.

Q.—That means that on the transaction the fund makes no profit?

A.—We do make a profit.

Q.—What is the rate of interest on the loan?

A.—Six and a half per cent.

Q.—What is the rate of interest that you pay?

A.—We pay 6 per cent and for current deposits 4 per cent.

Q.—I am talking about this particular borrowing. What rate of interest does it work out to?

A.—It would work out to a guaranteed interest of 6½ per cent.

Q.—Does the borrower give you any securities?

A.—We do not lend any money without taking proper securities. A man taking shares to the extent of Rs. 10 per month is eligible for a loan of Rs. 1,000 but he cannot get the loan unless he furnishes security. At the end of 79 months the loan is automatically adjusted by appropriating the amount that will stand to his credit on that date.

Q.—If he does not take a loan you say that the instalment works out at the rate of $6\frac{1}{2}$ per cent?

A.—It works out at $6\frac{1}{2}$ per cent. If it is $6\frac{1}{2}$ per cent it will take 84 months but we close at the end of 79 months. We take also a premium, i.e., we charge $3\frac{1}{2}$ per cent of the amount when the loan is first granted, which when spread out for 79 months works out at $\frac{1}{2}$ per cent.

Mr. Hearson: You withhold $3\frac{1}{2}$ per cent of the loan. Is it?

A.—Yes, if he is a shareholder of one year's standing.

Q.—So you take Rs. 35 out of every Rs. 1,000 that you lend, i.e., you give only actually Rs. 965 for a loan of Rs. 1,000?

A.—Yes.

The Chairman: That Rs. 35 is practically a profit for you on this transaction?

A.—Yes, certainly.

Q.—If he does not pay the instalments what is the penalty?

A.—Two pies per rupee, i.e., $12\frac{1}{2}$ per cent.

Q.—Is that paid on every amount which is in arrear?

A.—Yes.

Q.—Is the loan instalment repayable every month?

A.—Yes, on the last working day of every month.

Q.—Anything outstanding carries penal interest?

A.—Yes.

Q.—Apart from the penal interest he is paying $6\frac{1}{2}$ per cent for the loan advanced. Is it not?

A.—The penal interest is only for the arrears.

Q.—So on the loan outstanding he pays 19 per cent?

A.—He does not pay as much as that.

Q.—Since the amount is in arrears, you charge $12\frac{1}{2}$ per cent interest on that?

A.—Yes.

Q.—But the amount of arrears includes already $6\frac{1}{2}$ per cent interest. So on arrears you pay the $6\frac{1}{2}$ per cent interest as well as $12\frac{1}{2}$ per cent the penal rate. It thus comes to 19 per cent?

A.—I am sorry I cannot convince the Chairman. We charge the penal interest only on the amount of arrears. Suppose I has taken a loan of Rs. 1,000, he has to pay Rs. 10 his instalment and Rs. 5-3-4 the interest. If it is not paid by the last working day of the first month, in the second month he has to pay Rs. 15-3-4 plus penal interest of 2 pies on Rs. 15, i.e., 30 pies or 2 annas and 6 pies and his instalment of Rs. 10 for that month. I hope I am clear.

Q.—But I say that the instalment includes the original interest of $6\frac{1}{2}$ per cent and together with the penal interest I suggest it makes up 19 per cent interest?

A.—I am sorry I cannot concur with the Chairman.

Q.—But that is arithmetic?

A.—It will be wrong; it will not work out at more than 10 or $10\frac{1}{2}$ per cent. Of course in co-operative societies I know they are charging a higher rate of interest even on the principal. We charge only on the amounts that have fallen in arrears.

Q.—That is the case in co-operative societies too?

A.—I was watching a case in the High Court some time ago and the Court held that a particular society was wrong in having raised the rate of interest on the whole of the principal due. According to the by-laws of the individual societies they charge $12\frac{1}{2}$ per cent on the amount overdue instead of $9\frac{1}{2}$ per cent.

Q.—Are there many defaults?

A.—Not many. There might be considered to be about 30 per cent defaults.

Q.—Are there any other systems of borrowing?

A.—There is a special loan at 9 per cent interest for persons who do not want to subscribe for shares for 79 months. If he wants only for a short time, we grant such persons loans at 9 per cent.

Q.—What security do you take?

A.—Property security or gold; these members are subscribing Rs. 2-8-0 per share.

Q.—How is it repayable?

A.—We use our discretion in stipulating the period of repayment. It is ordinarily payable in a year.

Q.—Are these loans payable ordinarily in instalments?

A.—Within a year it is payable in a full lump sum but we use our discretion in regard to the terms of borrowing, especially those whom we consider good.

Q.—What do you do if they do not pay you on the due date?

A.—Of course we charge them penal interest.

Q.—Is it on the whole amount outstanding?

A.—On the amount of arrears of interest.

Q.—Is that 2 pies per rupee in addition to 9 per cent?

A.—We do not charge anything extra for this amount. We do not collect any premium which is only done for the regular loan.

Q.—If there is an arrear do you charge 12½ per cent in addition to 9 per cent?

A.—Only on the amount of arrears.

Q.—So the actual arrear carries an interest of 21½ per cent?

A.—No, it would work out only to 3 per cent extra. If a man takes a loan for Rs. 1,000 he pays Rs. 7-8-0 and on the arrears he pays 15 pies per rupee, i.e., an anna and a quarter; that would not amount to 18 per cent or 21 per cent.

Q.—You say that he borrows the amount at 9 per cent as a special loan. Does he pay it back monthly?

A.—Whenever he chooses; but according to the loan it is payable in a lump sum at the end of 12 months. But ordinarily we do not insist upon repayment of the loan so long as he is paying the interest on arrears regularly. It is only in exceptionally few cases where he is very irregular and the security is becoming depreciated that we insist upon prompt repayment within a year.

Q.—Am I to understand that it is to go on indefinitely excepting the interest on the loan?

A.—It is not indefinite, but we allow sometimes seven years. There are instances where cases have extended to more than ten years also.

Q.—What guarantee is there that they would ever be repaid?

A.—When it comes to about ten years the Secretary looks into such cases and recovers the amounts.

Q.—With only 9 per cent?

A.—Yes.

Q.—According to the bond he is liable to pay at the end of one year with an additional interest of 12 per cent?

A.—No additional interest; he continues to pay the same interest.

Q.—Is he not liable to pay penal interest at 12 per cent?

A.—We do not make it as arrears. We consider that the loan still continues.

Q.—What is an arrear?

A.—Only the amount of interest that falls due on a particular month; if it is not paid before the last working day of that month it is an arrear.

Q.—Is it payable monthly?

A.—Yes.

Q.—Is there any other form of loan?

A.—We give loans only to paid subscribers and to depositors. We advance also such loans on promissory-notes.

Q.—You pay 4 per cent on current account?

A.—Yes.

Q.—You have many current accounts?

A.—We have to the extent of about fifty thousand rupees.

Q.—Is that confined to the members?

A.—No. It is only whenever anybody takes a loan it is necessary that he should become a member. Loan borrowers are compelled to become members.

Q.—Anybody may open a current account?

A.—Yes.

Q.—You keep cheque books?

A.—We do.

Q.—You are a member of the clearing house.

A.—No.

Q.—What forms the bulk of the business you do? What is the form in which you lend?

A.—It is only on immovable property and jewels.

Q.—Which form of loan?

A.—On mortgages.

Q.—Against share capital?

A.—The bulk of it; 60 per cent are advanced as regular loans.

Q.—What profit did you make last year? Do you prepare the balance sheet?

A.—We do.

Mr. Thomas: Do your Board of Directors frequently meet?

A.—Almost once a month.

Q.—Who grants loans?

A.—All simple loans are granted by the Secretary on the security of immovable property. The papers are also circulated to the directors.

Q.—Is it possible for the Secretary to circulate a loan application in such a manner among the directors that it might reach the well-disposed director first?

A.—We have got a legal adviser and after consulting his opinion and after receiving the estimates it is automatically sanctioned.

Q.—Do you allow your directors to borrow on the security of their shares?

A.—We do but not on the shares that they have taken for qualifying themselves as directors. Certain shares are necessary for qualifying themselves as directors under the Act.

Q.—What sitting fee do you pay your directors?

A.—We do not call it as a sitting fee. It is only a carriage allowance of three rupees.

Q.—Are you aware of any case in which *nidhis* have granted loans to fictitious persons?

A.—*Nidhis* grant loans only on securities which are supposed to be sound. They have got legal advisers and estimators. They have got a director to supervise the estimates. *Nidhis* do not advance any loan to fictitious persons.

Q.—What power has the Secretary got in granting loans?

A.—The Secretary has to satisfy himself first and then the directors. They depend upon the integrity and character of the Secretary.

Q.—It is therefore clear that the Secretary is the pivot on which the whole business turns?

A.—I agree.

Q.—Does the Secretary hold the post of Treasurer, or is it held by another person?

A.—Not always except in very few cases.

Q.—In your case?

A.—I am Secretary and Treasurer.

Q.—Do you keep accounts on single or double entry?

A.—Single entry.

Q.—Why not double entry? Is it not more scientific?

A.—We propose doing it.

Q.—Have you any trustees?

A.—We have.

Q.—What is their function?

A.—Trustees are to sign cheques if the amount exceeds one hundred rupees.

Q.—Who are the key-guardians?

A.—The trustees and the Secretary are the key-guardians.

Q.—Have you any appraisers?

A.—We have.

Q.—What are they?

A.—Two of the shareholders. They are professional men and competent to appraise their value.

Q.—Are you aware of any money-lenders joining nidhis with a view to get rid of their bad debts?

A.—No.

Q.—How do you distribute your profits? What percentage goes to the directors?

A.—It comes to about 8 per cent to the shareholders. Under our rules the shares are to mature for payment whenever the profits with interest accrue to an amount of Rs. 200. At present we are able to close at the end of 79 months at 8 per cent and perhaps if we get more profit we will reduce the period of the closing of the shares.

Q.—What is the remuneration paid to the directors?

A.—We do not at all distribute to the directors. They have got a fixed remuneration.

Q.—How much is it?

A.—It is one hundred and fifty rupees for each director for one year.

Q.—Irrespective of the profits?

A.—Yes.

Q.—How is the Secretary remunerated?

A.—He is a full-time Secretary. He is a paid-man.

Q.—Any bonus?

A.—One month's bonus and the rest will depend upon the working of the society and the profits earned.

Q.—Who is responsible for the bad loans of the nidhi?

A.—Primarily the Secretary and the directors.

Q.—Are they legally bound?

A.—There might be cases where the secretaries might not have taken due care. The directors are ultimately responsible.

Q.—How many of your directors attended the meeting during the last two months?

A.—With the exception of one or two all the directors used to attend the meeting. In all we have got 12 directors.

Q.—Many of the directors are connected with other nidhis as well?

A.—About three or four are connected with other nidhis. One director is connected with three nidhis.

Q.—Who audits your accounts?

A.—One of the auditors appointed by the general body who is a G.D.A.

Q.—Is he a permanent auditor?

A.—He is not a permanent auditor. He is chosen by the general body. He can also be removed by the general body.

Q.—What classes of people deposit money with you?

A.—It is the merchant class.

Q.—What about the professional classes?

A.—They would deposit only small amounts.

Q.—Proportionately the merchant class is more prominent. What proportion would it be?

A.—It would be 40 per cent.

Q.—And professional men?

A.—It will be about 20 to 25 per cent.

Q.—Government servants?

A.—About 10 per cent.

Q.—Similarly with regard to loans granted by you what proportion goes to the merchants?

A.—I have got a note on the report. I will just refer and tell you.

Q.—Many women deposit money with you?

A.—That will be about five per cent.

Q.—What are they? Salaried persons?

A.—No.

Q.—Widows?

A.—Landladies—those who own houses.

Q.—What proportion do your deposits bear to the paid-up capital of the nidhi?

A.—Deposits will be about 15 lakhs or 18 lakhs; paid-up capital will be about 6½ lakhs.

Q.—What reserve funds have you?

A.—Fifty thousand rupees.

Q.—In what form do you keep it? Have you invested it in Government securities?

A.—No.

Q.—Suppose there is a run upon your nidhi; in what way would you meet it?

A.—The depositors cannot ask money before the fixed time.

Q.—Suppose there is a sudden demand for current deposit. What will you do?

A.—We are now trying to approach all the bankers. We approached the Imperial Bank for overdrafts which it refused to give. Under the existing rules we cannot open a current account with the Imperial Bank. We are contemplating to revise the rules to open accounts with other urban banks to get overdrafts.

Q.—Why not invest it in Government bonds?

A.—We would be losers in Government securities.

Q.—But that will secure your deposits, all the same?

A.—There has been no run. There will be a fluid resource of twenty thousand rupees in the Imperial Bank. We have been very popular and have always got one-fifth of the current deposit amount in the Imperial Bank.

Q.—What was your balance in the Imperial Bank last week?

A.—It was one lakh. It is now about ten thousand rupees.

Q.—It has never gone below?

A.—No.

Q.—What is the interest charged on loans on mortgage of land given by your nidhi?

A.—Six and a quarter per cent to nine per cent.

Q.—Do you lend on the security of shares and jewels.

A.—Yes.

Q.—What interest do you charge on jewels?

A.—Six or 6½ per cent.

Q.—When there is greater demand for loans than you could satisfy, how do you allot your loans?

A.—We register the loan applications. Money is distributed to them on the priority of applications. We give them preference to those who are anxious to get if the other applicants are not anxious to get it.

Q.—Do you ballot the applications for loans?

A.—We do not.

Q.—How long have you been Secretary of the Egmore benefit society?

A.—For about six and a half years.

Q.—Do you know any other nidhi?

A.—No.

Q.—Have you got any knowledge of the working of nidhis in Coimbatore?

A.—Only by hearsay.

Q.—What do you hear about those nidhis? Any difference between Madras and Coimbatore?

A.—I hear they charge interest very exorbitantly and the governing bodies are very avaricious to get profits.

Q.—How do nidhis usually incur losses?

A.—It is owing to the want of stringent audits. No one checks the reports submitted by these nidhis as regards securities. Moreover the commissioner appointed does not submit genuine reports. This must have resulted in some of the failures.

Q.—Is the system of audit faulty?

A.—I cannot say. I know where an auditor was not able to find defalcation which was traced later on.

Q.—Therefore a more stringent audit is necessary?

A.—Yes.

Q.—You are taking deposits from, and lending to, non-members?

A.—We do not grant loans to non-members but take deposits from non-members.

Q.—In what way is your nidhi different from the joint-stock company?

A.—We do not advance loans on personal securities.

Q.—Do nidhis require any protection from Government?

A.—The interest charged by us is looked upon as penal interest by the Government and there are certain decisions against us although we charge only two pies per rupee and it comes to only to 12½ per cent. The courts seem to think they are penal but for the proper working of societies it is necessary to charge a slightly higher rate on the interest payable every month in case of default, having regard to the additional work imposed on the society by reason of such default. We want the Government to protect us.

Q.—I think you told us already that you have now a fixed share capital?

A.—Yes.

Q.—What induced you to make that change?

A.—The recent decisions of the High Court. The liabilities of the shareholder becomes unlimited even after he has withdrawn his amount. But under the latest decision their liability has not ceased.

Q.—Do you think that there is any necessity for special legislation with regard to the nidhis?

A.—I do not think it is necessary. If only an exemption is granted under four or five sections in the Indian Companies Act we will be satisfied.

Q.—You are aware of various doubtful transactions and lack of caution on the part of the officers. Do you not think that it is necessary to regulate the whole thing? Are not restrictions needed in regard to the transactions of the nidhis?

A.—I do not think that would work because the directors and the shareholders would not approve of that.

Q.—You spoke of the incapacity of certain nidhi authorities? How else can we secure the interests of the public that deal with them?

A.—I think it will be better if it is audited.

Q.—Do you employ trained hands in your office?

A.—Yes.

Q.—What training have they had?

A.—It is only office training that is required and they know how to work out a balance sheet.

Q.—Have you employed any one who has passed the G.D.A. or some such examination?

A.—No. They come only as auditors.

Q.—Could you give me some idea of the purposes for which loans are taken from your nidhi?

A.—Loans are taken for repaying certain loans obtained from Marwaris, also for marriage expenses and for trade business.

Q.—What percentage goes for the repayment of loans?

A.—I have given a written statement already in regard to it.

Mr. *Hearson* : On an average a third of your shares are your paid-up capital?

A.—Yes.

Q.—If a man subscribes and takes up a share how long will it take for him to get his money back?

A.—He will get it at the end of 79 months.

Q.—And then that share ceases to exist?

A.—Yes.

Q.—Then he comes again?

A.—He comes only if he chooses.

Q.—You charge 3½ per cent on loans. Is that on regular loans or on special loans?

A.—Only on regular loans. It is 3½ per cent for the first year and for the second year it is 3 per cent. Supposing he has taken a share this year and applies for a loan next year, he will have to pay only 3 per cent and five years hence he will have to pay Rs. 1-8-0 or Re. 1. That depends upon the age of the share.

Q.—What do you charge on the special loans?

A.—We do not charge any premium.

Q.—When a man takes his money after 60 instalments you say his share is foreclosed?

A.—Yes.

Q.—I see that Rs. 10-10-0 was paid as income-tax. What is it about?

A.—That is only on the property that we own. We own property and we have let a portion of it.

Q.—You only advance on property?

A.—We advance on property, on Government securities and on Imperial Bank shares also.

Q.—But not on the shares of any other joint-stock banks?

A.—Only on the shares of the Imperial Bank and some other banks which the directors approve of.

Q.—Why is the reserve fund limited to half a lakh of rupees.

A.—It is only very recently formed. It was only 6 years ago that we revised our rules to have a reserve fund. Under the existing rules the shareholders are to pay subscription and interest until the principal and interest and profit amount to Rs. 250, whether it is 79 months, 80 months or 86 months. For the past so many years we have been going on without any reserve fund. I suggested that there should be a reserve fund and it is out of the surplus-profits that they provided this amount as a reserve fund.

Q.—In your profit and loss account you state that the amount paid for closed transactions is Rs. 25,000. What exactly does that represent?

A.—That is the guaranteed interest that we have paid on the shares that have matured. The paid-up share is only Rs. 79 and after the end of 79 months we pay the shareholder Rs. 100, the excess of Rs. 21 over the paid-up share being given out of this amount.

Mr. *Gopala Menon* : Why do you call the Egmore benefit society as the third branch?

A.—The parent society was started in 1870 and when the shares matured, some of the shareholders joined together and formed a branch. After the shares there in turn matured a second branch was opened and all these were liquidated. When they came to open the third branch they said that they did not want any more branches, and the shares are allotted only periodically here.

Q.—Then your third branch is the reconstituted branch?

A.—Yes.

Q.—In what year was this started?

A.—In 1886.

Q.—Your nidhi is working on the basis of subscriptions, is it not?

A.—Yes.

Q.—Are there nidhis working on the permanent share capital system in the City?

A.—There are.

Q.—And yours is not one of that kind?

A.—No. We think of revising our rules.

Q.—What is the difference between the two in the matter of granting loans?

A.—The difference will be in the rate of interest.

Q.—What I want to know is this. Do the nidhis which are on the subscribed basis lend only to the shareholders or do they lend also to outsiders?

A.—There are certain nidhis which are working on the subscribed basis also giving loans to non-shareholders.

Q.—Yours is one of that kind?

A.—No.

Q.—So nidhis which are working on non-returnable share capital lend both to the shareholders and non-shareholders?

A.—They lend mostly to non-shareholders?

Q.—Anyhow they do not make a distinction between shareholders and non-shareholders in the matter of granting loans?

A.—There are certain nidhis of that kind.

Q.—You said that the High Court has denounced one of the fundamental features of the nidhis. What is that particular feature?

A.—We are charging compound interest on all arrears.

Q.—Is that the one reason?

A.—Yes.

Q.—Is it not the provision of paid-up capital?

A.—This is also another reason. A recent decision by Justice Coutts-Trotter is to the effect that the shareholders who have taken away their share money after maturity with the profits are also liable under the Act. They are considered to be still shareholders though the share amount has been subscribed for fully.

Q.—So the reduction of the paid-up capital through shares is considered to be not conducive to the working of the nidhi?

A.—Yes.

Q.—Then what will be the effect of that on the members?

A.—I do not think that there has been any effect.

Q.—I mean what will be the effect on the old members in case of liquidation?

A.—There has been a case recently in which some of the members were asked to pay.

Q.—Within what period of their withdrawal of the share amount?

A.—They were shareholders long ago having withdrawn their shares years before. But I cannot say for certain how many years it was after they had received their shares.

Q.—Has it been the case at least with the shareholders who had withdrawn their money a year or two ago?

A.—They have been asked.

Q.—It is a fact then?

A.—Yes.

Q.—Under the Indian Companies Act can the shareholders of a joint-stock concern sell away their shares and take their money?

A.—They could sell away their shares by way of transfer and receive money.

Q.—What is the liability of these shareholders in the event of liquidation?

A.—The transferee has to pay.

Q.—What is the period within which he is held responsible?

A.—Within a year. But now I understand that the shareholders of midhis who had withdrawn their share monies years ago have been held responsible under the Indian Companies Act. But I am not sure. I think it is only the shareholders who have withdrawn their money within a year that are liable. I do not know under what circumstances the other shareholders were held responsible.

Q.—You are not quite sure of the period?

A.—No, I am not sure.

Q.—You said that on account of the High Court decision you are going to change your share capital on a subscribed basis to some other kind. What is the kind you have in view?

A.—We want to convert it into a permanent share capital basis.

Q.—That means that the subscribers will be drawing their money from the nidhi and you will create a share capital thereafter. Is it not?

A.—Not necessarily. The share capital already paid will be taken as recurring deposits.

Q.—Will all the present members agree to convert their share money or will some of them withdraw?

A.—Very few will withdraw.

Q.—But your liabilities will remain there. Will they not?

A.—I am not very sure about it.

Q.—Suppose you have a proposal to pay off the subscribers; whether they withdraw or not, it is only a question of paying them off. You will then have to raise capital by way of shares. Is it not?

A.—No, we do not propose to do that now. We are proposing to introduce a new system of shares by which any shareholder can take only one share or two and the amount already paid by the subscribers towards the shares will be taken as recurring deposits. That is what we are proposing to do.

Q.—By that means you will convert your shares into a share capital?

A.—Yes, as recurring deposits.

Q.—At the same time you say that some of the subscribers might withdraw?

A.—Yes.

Q.—Your paid-up capital is Rs. 6½ lakhs and your deposits are only Rs. 4.65,000. Why?

A.—No, it is Rs. 6½ lakhs.

Q.—Your reserve is only Rs. 50,000 and that is mixed up with your other funds. Is it not?

A.—Yes.

Q.—You have not earmarked as reserve any money in the shape of Government securities or in any other form?

A.—No.

Q.—In the interim period, i.e., during the conversion of your nidhi from the subscribed basis to the share capital basis, the liability of the nidhi is likely to remain as it is. Is it not?

A.—Yes.

Q.—If the subscribers take away their money during the reconstruction period, how would you meet these liabilities?

A.—We were apprehending that such a thing might happen before. But now I do not apprehend so much. I have been watching other small institutions doing that.

Q.—Is there any institution coming to trouble by resorting to such a transfer in Madras?

A.—No. There have been two or three institutions in Purasawakam which have been transferred to the share capital basis.

Q.—Is it a fact that the subscribers have withdrawn their capital while the liabilities remained as they were?

A.—Yes.

Q.—So you apprehend that difficulty?

A.—Originally I apprehended such a difficulty, but now I think I can safely launch the scheme.

Q.—Can you tell us what you propose to do during the reconstruction?

A.—We would ask the subscribers to allow their share money to be treated as into recurring deposits.

Q.—But do you feel sure that they will agree to that?

A.—We do not intend converting all their paid-up capital into share capital. The amount subscribed by each shareholder will be treated as recurring deposits simply.

Q.—Out of your deposits how much is in fixed deposits, how much in current accounts and how much in savings bank deposits?

A.—Rs. 6 lakhs in fixed deposits, Rs. 50,000 in current account. But we do not have any savings bank account. The term savings bank is only used to refer to the subscriptions paid by the shareholders.

Q.—The difficulty is that when some of the subscribers come to know that you are going to convert all their paid-up capital into a share capital there is a likelihood of the shareholders withdrawing their money. Do you not then apprehend that there will be a difficulty in meeting the liability?

A.—I had apprehensions about this months ago. But now I think that the public are already aware that the introduction of the new system would be safer for them as their liability would decrease thereby.

Q.—So you feel that the subscribers will not withdraw but will agree to have their money converted into a share capital?

A.—We do not propose to have all their share money converted into the share capital. We are continuing the system, but only we give the name of recurring deposits to the share capital.

Q.—Anyhow you have to apprehend the difficulty that may arise?

A.—Yes.

Q.—You are advancing money on house property, I presume?

A.—We do.

Q.—You advance 75 per cent of the appraised value?

A.—Yes.

Q.—Do you consider that giving an advance of 75 per cent on house property is safe in consideration of the fact that during the last three or four years the value of house property in the city is going down rapidly?

A.—We have appraised the house property with due regard to such depreciation in price of the house property and have valued it considerably lower. Our valuation would be such that at any time the loan would be realised. It is only our estimated value and our estimate would be sufficiently guarded.

Q.—For what period do you allow these advances to remain on the security of house property?

A.—If it is a regular loan, it automatically adjusts itself in 79 months or 6 years and 7 months. But in the case of special loans they might draw on a little longer or shorter. But we generally fix it for a year in the case of special loans.

Q.—Which is more, special loan or regular loan amount?

A.—Regular loans.

Q.—What class of people take regular loans from you?

A.—All classes.

Q.—May I know the proportion of the poor people as compared to the middle and upper classes that resort to loans from your institution?

A.—I have prepared something like a statement. I cannot say that it is accurate but I think it will be approximate. Out of 542 people who borrowed 66 are professional men, such as doctors and lawyers, 126 are merchants, 10 are petty shopkeepers. 184 are officials, 132 are landlords and 4 are miscellaneous people.

Q.—So your society is helping only 4 poor people and 10 petty shopkeepers out of 542 people who have received loans from you. Are they the only people who have slender means and who remain on a subsistence basis?

A.—I would give you another statement. Loans for amounts less than Rs. 100 have been received by 67; 227 have borrowed below Rs. 1,000 and 240 have borrowed above Rs. 1,000.

Q.—Even then the bulk of the people are those who had borrowed above Rs. 1,000 and above Rs. 100 and below Rs. 1,000. My point is this. You are asking for exemption from stamp duty from Government, a concession given to the co-operative societies. What is the special reason for your asking for that concession?

A.—Of course the poor and the middle class people cannot afford to pay the duty.

Q.—From your figures, it appear that you are catering only to the rich people. There are only 10 petty shopkeepers and 4 poor people. How can you then ask for that concession?

A.—But I take the officials also as poor people. They are clerks drawing Rs. 35 and Rs. 40.

Mr. Thomas: Are they 'loan' borrowers?

A.—Yes. They take loans on furnishing securities.

Q.—They become subscribers?

A.—Yes.

Q.—What do you mean by 'special' loans?

A.—Those who receive special loans must also be subscribers but they need not necessarily take a larger number of shares to cover the whole amount of the loan.

Mr. Gopala Menon: Do you know the reasons on which co-operative societies are exempted from the payment of duty when loans are taken by the ordinary ryots?

A.—I do not know.

Q.—Do you know that the co-operative societies are catering to the needs of the very poor agricultural population?

A.—We also do the same as a matter of fact.

Q.—But the figures that you gave show that the bulk of the borrowers are not poor people. Why is that?

A.—That is because we are charging the stamp duty and the registration fee.

Q.—Are you charging them a high rate of interest?

A.—No. Our rate of interest is even lower than the rate of interest in co-operative societies. We charge only 6½ per cent even including the premium.

The Chairman: How did you make a profit of Rs. 60,000?

A.—It is the surplus profit after paying off the guaranteed interest. It is due to the large amount of deposits received during the last 5 years.

Mr. Gopala Menon: Your figures clearly show that you are helping only the middle and the upper classes of people and not the poor people. Are they not getting any help from you?

A.—We are prepared to help even the poor people provided they apply. As a matter of fact even the scavengers and rickshaw wallas are shareholders.

Q.—But your figures do not show that. It is only 10 shop-keepers and four poor people that are found in the list you gave. I can understand your claim for the exemption from stamp duty if that contained the poor people in a greater number. Suppose this exemption from stamp duty is granted to you can you suggest any way by which the Government could replace that revenue? Have you thought about it? For if you approach the Government for this exemption from stamp duty, it is but proper that you should suggest how the loss of revenue in this direction could be recouped. Can you help the Committee in finding out the ways and means for doing that?

A.—I have not thought about it.

Q.—May I know what proportion of the profits go to the directors?

A.—We do not give them any definite proportion.

Q.—From your experience can you say whether any proportion of the profits that are realised is given to the directors by way of sitting fees and other income?

A.—In our own society we pay a fixed remuneration to the directors.

Q.—Do you pay a sitting fee of Rs. 150?

A.—Yes.

Q.—They sit once in every month?

A.—Yes.

Q.—Are some of your directors appraisers also?

A.—They are not appraisers, but surveying directors.

Q.—Are the directors, in addition to the Rs. 150 a month, getting carriage allowance also?

A.—Yes.

Q.—Are they also custodians of goods stored?

A.—Yes.

Q.—Therefore as custodians of goods, they get a fee, as surveying directors they get another fee; they get, in addition to their salaries, a carriage allowance?

A.—Yes.

Q.—When all these are put together, what proportion do they work out to the total profit?

A.—I have not worked out the proportion.

Q.—Are there any lawyer members in the directorate? Are they also paid?

A.—Yes.

Q.—What is the cash on hand at the time of closing of the year?

A.—Rs. 26,000.

Q.—Why did you not remit it into the bank? If the last day happened to be a holiday for the bank, there were one or two working days before or after the last day on which you could have remitted all the collections into the bank.

A.—The major portion of the collection was made on the last day.

Q.—You charge 10½ per cent on special loans?

A.—That was only two years ago. We have reduced the rate of interest for the last two years.

Q.—In your profit and loss account you have shown that the amount required on the basis of closing sections in 79 months is Rs. 1,10,000 and that comes after the figure Rs. 1,22,000.

A.—The total accrued profit earned by the society is the former figure and the latter figure is the amount of guaranteed interest. We do not guarantee on the basis of closing the sections at the end of 79 months. We require a certain profit and that profit is the latter figure.

Mr. Muthiah Chettigar: Have you any limit up to which anybody could take shares in your society?

A.—We have not got any limit?

Q.—Have you any limit so far as directors are concerned?

A.—The directors could take any shares.

Q.—What is the minimum number of shares that the directors could take?

A.—The minimum that they can take is 10 unencumbered shares, i.e., Rs. 25 a month.

Q.—Could they also subscribe as ordinary subscribers in monthly instalments?

A.—Yes.

Q.—You say in your written memorandum that you charge compound interest on the monthly rests at a higher rate than the interest on the principal. Does that mean that you charge on arrears of interest?

A.—Yes.

Q.—You want to collect interest every month?

A.—Yes.

Q.—Do you not think that it is very hard?

A.—It is not very hard. It is, on the other hand, very easy.

Q.—Do you pay income-tax?

A.—We pay a small amount now. We have been paying a large amount.

Q.—Is not your society exempt from income-tax?

A.—No. We have not been exempted.

Q.—Do you not give clean loans without joint promissory notes?

A.—No.

Q.—Why?

A.—Our rules do not permit them.

(The witness then withdrew.)

Thursday, 23rd January 1930.

MADRAS.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. H. F. P. HEARSON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIK SARIB Bahadur.

M.R.Ry. T. K. DORAISWAMI AYYAR Avargal, M.A., Professor of Economics, Presidency College, Madras.

Oral evidence

Mr. Gopala Menon: Mr. Doraiswami Ayyar, you are a Professor of Economics in the Presidency College?

A.—Yes.

Q.—You were for some time acting as University Professor of Economics?

A.—Yes.

Q.—You are also Joint Secretary of the Indian Economic Association (Madras branch)?

A.—Yes.

Q.—You are therefore thoroughly acquainted with the banking practice of this Presidency and of India generally?

A.—I am acquainted with the banking theory and not much with the practice.

Q.—As a Professor of Economics you have been teaching your students banking?

A.—Quite so.

Q.—We wish to know whether students who have received training in banking have got occupations in banks and whether they have been found successful. What is your experience in the matter?

A.—It is only very few who go to the banking firms. But most of the students do not care to take up petty jobs. One became a probationer in the Imperial Bank. Those who are in the diploma of economics class came from the firms and some others, having passed the diploma, got appointments in some firms. As regards the students of the Presidency College I do not think that specifically they go into banks or commercial houses for the simple reason that there is not very much demand for people trained in economics on the part of the commercial houses.

Mr. Hearson: Do they go to the bar?

A.—They go to the bar or appear for the competitive examinations. Still there is not that kind of demand on the part of the commercial houses and even banks for people specifically trained in economic theory or banking even.

Mr. Gopala Menon: Do you think that apart from the sort of instruction imparted in the ordinary schools a specialized training is required for employment in the commercial and banking concerns?

A.—Oh, yes. Special training is somewhat helpful one should think. But taking into account the economic organization of our country and the fact that the bulk of economic life is agricultural confined mainly to small

holders there is not very much room in the market for joint-stock banks on a large scale with the result that the demand that you expect for people specially trained in banking in a big country which is not situated like India you do not find in this country. That is one of the causes for the small demand for people trained in banking. But joint-stock banks in big cities if they go about their business properly should attach value to people who are trained in advanced banking theory as well. They will be of great help in suggesting various lines of advance. That will be very helpful towards taking a broad view of the relations between currency, the rate of interest and the actual economic condition. In that way it will be helpful.

Q.—You are thinking of the present state of affairs. Suppose as a result of this enquiry there is going to be an expansion of banking facilities, would you attach any importance to getting men trained for the bachelor of commerce degree?

A.—Oh, yes. There will be some demand for them. I do not expect that there will be a great demand for them for reasons I have already explained, that is on account of the fact that production is very largely agricultural. These export houses engaged in foreign trade might go in for some of those men if they are properly trained. Then there will be some demand for them.

Q.—Do you not think that such men instead of going to the Government offices or taking to law or even becoming professors, would naturally try to get appointments under commercial and banking concerns?

A.—Oh, yes. It will be of some help. As a matter of fact, a faculty of commerce is necessary for that reason.

Q.—What is the average salary that the economics graduates who have received training in banking now get?

A.—They are lumped up with the other graduates and I think they get Rs. 40 or Rs. 50 to start with. I do not think that there is any special value attached to them because commercial firms have not yet seen quite the need for such men.

Q.—You say that these people are taking up jobs on Rs. 40 and Rs. 50. You know that there is ample room in these commercial houses and banking concerns for men of that calibre. Would not they be prepared to accept the same salary to start with?

A.—I think they will be prepared to accept that.

Q.—You also know that these firms would like to get a better trained man who can grapple with the office work than those who are less educated. So do you think there is a real opening for such men in these commercial and banking concerns if they only try to get in?

A.—Yes. There is some opening. Only those people who are at the head of commercial houses must realize the value of this and meet commercially trained men if possible half way. In every country it takes some time for these commercial men to realize the value of academic training. Even in England it was so and it was only after some time that economic training was recognized as essential.

Q.—Do you not know instances where these men who have received sound commercial training having got employment in commercial houses have come up in their career?

A.—I do not know of any particular names. It is all in the making. I think it must take place in the future. I do not know conditions in Bombay. As yet I believe there have not been many instances.

Q.—Have you not heard of men who have come out of the Sydenham College of Commerce being taken by European and Indian firms on a reasonably good salary?

A.—Oh, yes. It is always of help to do so.

Q.—So the same thing can happen in Madras also?

A.—Yes.

Q.—What is meant by banking?

A.—It is a very large question and I shall attempt to answer it. In banking, capital that is available for industry and agriculture is placed at the disposal of the agriculturists and the commercial men through the machinery for collecting these funds and making them available to them.

Banking involves a certain organization of capital so that those who need capital for agriculture and industries may have the capital. You may divide it into investment banking and commercial banking so that for working capital and for making liquid capital in goods the commercial banking is very useful. The scope of investment banking is to lead capital for industries, that is, for block account and things of that kind. Banking therefore is an organization by which capital for permanent development and working capital for running concerns are made available to those who need it.

Q.—Do you think that money-lending is banking?

A.—I should think the essence of modern banking is not so much to use the capital of the bank as to use the savings of the people. That to my mind appears to be the essence of banking. Deposits, for example, will bear a very large proportion to the capital. Very often it is 8, 10 or 12 times the capital. Consequently the distinction that I would make between money-lending and banking is that the money-lender mostly uses his own money whereas the bank uses not so much its own capital as the funds placed at its disposal by the public. That is one difference that I make.

Mr. Hearson : The function of banking is to collect small sums of money and to give capital to those who need it. Is it not?

A.—Yes, that is the spirit of banking. In money-lending the dynamic factor of aiding the saving habit is absent, whereas in banking that is a very essential feature.

Q.—The bank collects the money of other people, whereas the money-lender does not. Is that the difference?

A.—Yes.

Mr. Gopala Menon : From your point of view is modern banking the manufacturing of credit?

A.—Yes. It is dealing in credit.

Q.—It facilitates the machinery for exchange and the bank is the machine for facilitating exchanges?

A.—The bank is the machinery for making liquid capital in goods, particularly those goods which can be exchanged easily.

Q.—Do you not think that the real essence of banking is commercial banking?

A.—The real essence of banking as was pointed out is the developing of the saving habit and the collecting of dribbles from large numbers and making these available wherever these are required.

Q.—So do you agree with me when I say that money-lending may be a part of banking but cannot be banking itself?

A.—Yes. Money-lending has got certain aspects of banking.

Q.—Has banking developed in India very much as compared with the other parts of the world?

A.—Banking in India has not developed as much as in the other parts of the world for the essential reason that the production of wealth in India is at a very low ebb and the huge masses in this country have not the power to save and consequently you find that whereas the essence of modern banking is the depending upon the savings of multitudes of people, you do not have that advantage in this country with the result that modern banking on a satisfactory scale has not yet developed so far as rural India is concerned—I mean the rural parts of India.

Q.—Can you quote statistics with regard to the number of banks in existence in India as compared with that in the United States or England?

A.—One should only refer to the statistical publications which are easily available. In the United States I think there is a huge number of banks. In England branches of each of these come to more than a thousand. So there we see large numbers of banks in those countries. But here it is not so for the simple reason that you do not have large numbers of people being in a position to save. That seems to stand in the way of the development of modern banking in India. Thus even an attempt to create banking facilities here will not be of much use unless that attempt is linked up with an organization for making the masses produce more wealth and also save wealth. I do not think that the attempt to create banking facilities

will be of much use unless it forms part of a comprehensive plan for promoting the agricultural prosperity, improving the standard of life, making the people aspire for a richer and a fuller life and making them save money.

Q.—Your point is that ample facilities have not been afforded for the development of banking. By whom do you want the facilities to be created? Should it be by the Government or by the people?

A.—It is not a question of Government alone affording facilities. It is a comprehensive question. I wish that a special attitude is brought to bear on the problem of banking which is bound up with the production of more wealth, which is bound up with an attempt to increase the standard of life. For these things to be accomplished a broad thoughtful attitude towards economic questions is essential.

Q.—I mean the facilities such as the expansion of railways, of the postal system and of commerce as a whole. Do you not think that there has been an expansion in all the three directions during the last ten years? I wish to know whether the banking business has developed corresponding to the development that has taken place in regard to the expansion of the railways, the postal system and commerce, both export and import trade?

A.—In regard to the third point, namely, the expansion of trade, during the last ten years there has not been much of development if you consider the volume of the export trade.

Q.—With regard to trade what are your figures?

A.—The figures you find from the 'Trade of India'.

Q.—Do you think that from a reference to these figures banking business has developed in the country?

A.—In that connection I would like to point out that as regards foreign trade if you take the volume of trade into account there will not be much of an increase. Those are all figures in rupees and the prices now have increased.

Q.—But have not the prices come down in the last three years?

A.—Compared with the pre-war prices there has been an increase of 45 per cent or thereabouts in the prices. There is not very much difference between your point and mine for this reason that the volume has not shown a considerable increase. Banking facilities are capable of improvement, for example, by way of establishing land-mortgage banks. I am all for improving banking facilities, only there should be a due sense of proportion.

Q.—What I really want to know is whether you are in favour of a network of ordinary commercial banks and other private banks coming into existence in the country.

A.—There has been an increase in the number of banks. The Imperial Bank recently started 100 branches according to their contract with the Government. But the country has been passing through a depression so that there has not been as great a need for facilities in the central market. The various trades have been suffering from depression.

Q.—So you are of opinion that the present banking facilities are meagre as compared with other countries?

A.—They are meagre and there is an explanation for that.

Q.—In your opinion which is economically more sound, branch banking or local banking?

A.—I am glad you raised that question. As a matter of fact I was thinking whether branch banking is the best for a country like ours or the individual bank system as in the United States of America with a large number of self-contained banks being linked up by some kind of machinery was the best. It is a question on which there might be difference of opinion, but my sympathies are more for individual banks being developed for the simple reason that I find that on account of the difference of habits and languages in different parts of this country branch banking may be difficult. Therefore my inclination is rather for independent banks being developed especially in view of the fact that we are not capable of managing yet huge enterprises where complicated relationships exist between different parts. I think there is some scope for development of individual banks.

Especially when the reserve bank comes into existence and when facilities for discounting are available, individual banks started in different parts of the country will to my mind be much more helpful than branch banks.

Q.—Have you applied your mind to the Indian conditions when you say that you support the establishment of individual banking as compared with branch banking?

A.—It is with reference to Indian conditions that I am saying that. By individual banks I do not mean small mushroom nidhis. Instead of a mammoth organization spreading its branches in different parts of the country I would rather have a number of banks where there is scope for the exercise of initiative and where the local needs might be well attended to. When we are in our present state of evolution it is much better for us to manage such comparatively small organizations than to manage a bank with a large number of branches.

Q.—You know that the main industry in this country is agriculture and about 70 per cent of the population is engaged in agriculture and one of the objects of this Committee is no doubt to find out better agricultural credit facilities. Suppose a bank is started in a rural area. Do you think that it can find enough business throughout the year?

A.—I do not think I have made myself understood. I do not mean that the individual bank is for the agricultural purposes in the village solely. I shall make myself clear. Instead of having one single bank in Madras with a number of branches in various other places, a bank in Trichinopoly, a bank in Calicut, a bank in Bangalore and a bank in Tinnevely would be better. I would not be against say 5 or 6 banks managing very largely the kind of work, not primarily agricultural, that has to be done in this country. That is what I mean. Instead of one bank, say at Delhi or some other place with a number of branches scattered all over India I would prefer individual banks in the various places.

Q.—Do you think that for such banks there will be enough work throughout the year, especially in the light of the fact that only in particular seasons money is required in particular parts?

A.—That is why I want to link them with the reserve bank. In seasons when there are surpluses in the banks they will go into the reserve bank. Without a reserve bank you will be led into difficulties even as America was led. Originally there was no concentration of banking facilities in America, with the result that the scattered reserves did not find employment. So they had recourse to the reserve bank later on. In this country I feel that with the starting of a reserve bank there would be facilities for remittance of funds.

Q.—Reserve bank can have business only with the head office of a bank. Suppose there are 100 individual banks in different parts of the country. Do you want the reserve bank to have dealings with all of them?

A.—Exactly. That is the function of the reserve bank as I understand it. All joint-stock banks can receive help from the reserve bank if they observe the various conditions laid down. The reserve bank is not to have relations with some big banks only. It must have relations with all the joint-stock banks and approved banks.

Q.—Do you not think that there will be this advantage for a branch bank, when it does not find business in a slack season in the agricultural year, the branch can remit its surplus to the city and employ that money there for trade purposes?

A.—I thought of this point whether there will be enough work always and I found the explanation for that in the creation of the reserve bank.

Q.—Suppose there are a number of branches for a bank. For instance, the Indian bank has got six branches and the Nedungadi bank has also got a number of branches. Do you think that such banks can function properly and attend to the agricultural needs and also to the trade and commerce of the country or do you want a network of individual banks?

A.—The Nedungadi bank comes under my scheme. When I said I would prefer individual banks to branches I did not intend that no single branch ought to be opened.

Q.—Do you then think that branch banking has got greater advantages than individual banking?

A.—That is not my view as I have developed it.

Q.—Is it possible for the Government to accelerate the pace of banking progress? Have you any idea?

A.—The Government can do something. But apart from the Government agency the leaders of the public have also a part to play. The first thing is to make the average ryot aspire to a higher standard of life and make him work harder. That is a work for the Governmental agency and the leaders of the public also. I think the Government in all its departments must be infused by that kind of spirit.

Q.—How can money be made available in our country for loanable capital? Is not the scarcity of money the root cause of the high rate of interest or is the cause of the high rate of interest the difficulty in collecting money through proper agencies and making it useful to others?

A.—It comes to this—whether our banking resources are adequate or whether it is the absence of organization that is responsible for the high rate of interest. I do not know whether I am expressing your mind when I say that you want to ask me whether the resources are adequate or whether the resources being adequate on account of the lack of organization money is not available when it is required.

Q.—Do you think that sufficient money is available in the country and it could be made useful if there is a proper organization?

A.—On this question one should draw a distinction between central money markets in Madras, Bombay or Calcutta and the villages. The conditions of the central money market are to some extent similar to the conditions of the central money market in London or Paris for this reason that the rates at which money is invested by a number of investors, say, in Government loan, are the same. There you have a parallel as regards the rate that people who invest their money in Government loans get. But at the extremities you find a difference between the conditions elsewhere and the conditions in India. The high rates prevailing here are due to a number of causes. I do not agree with the statement that the resources are quite adequate. To my mind it appears that the resources also are not adequate.

Q.—If the money available in the country is usefully employed do you not think that there will be scope for a better organization?

A.—Oh, yes. There is scope for better organization. There should be a better organization. But the resources themselves are not quite adequate. I want to emphasize that point also, for the simple reason that the production of wealth and the savings on the part of the bulk of the people are not at all adequate. There may be some aggregated wealth but not distributed wealth.

Q.—As regards the village money-lender, do not you think that his rate of interest is fairly high?

A.—Yes, he gets a better rate of interest. But I am not one of those who feel that we can blame the village money-lender and the indigenous banker who have to charge a high rate of interest for the simple reason that a bank could afford to charge a lower rate of interest because it is not its capital that it lends but it is the deposits. These deposits are got at low rates of interest and yet the banks are able to pay dividends of 12, 15 and 18 per cent. The money-lender or the indigenous banker does not get nor take deposits and he lends his own capital. The rates of interest will come down only if the bulk of the people develop the habit of saving and putting it into banks. Another point that strikes me is that the rate that is paid on deposits is rather low, and the rate which the ryot has to pay on the loan that he borrows is very high. On account of this disparity between the rate which he can get on any deposit that he makes and the rate he has to pay for loans, there is no inducement to put money on deposits. There ought to be a lesser gap between these two rates. That again is a question of organization. Unless this gap is narrowed down you cannot expect people to deposit their money in banks.

Q.—Do you believe in controlling the rate of interest by legislation?

A.—I do not believe much in laws or legislation.

Q.—Have you learnt any lessons from the failures of some of the Indian joint-stock banks in the past?

A.—Yes, there were a number of banks that failed.

Q.—What I want to know is are you for Government control to be instituted for protection to depositors?

A.—I am for some regulation. It is well that there is some legislation, but we should proceed very cautiously in this matter.

Q.—Do you know any countries where such legislation exists at present?

A.—In the United States they have tried to protect the interests of the depositor. But in England I do not think there is any kind of proportion fixed for a bank. That kind of legislation is in the United States only.

Mr. Thomas: What about Canada?

A.—There is. I think, no legislation there to that effect.

Mr. Gopala Menon: In order that the indigenous bankers may serve a useful purpose in the banking proper, do you not think that the Indian money market should be thoroughly organized? Have you got any proposal for such organization?

A.—As regards that question if we develop the industrial activities of the country the indigenous banker will slowly transform himself into a joint-stock bank. But this will take a long time.

Q.—Should the indigenous banker work as a separate unit? Have you any proposals for bringing him into a federation of banks?

A.—The indigenous banker will have to play his role on traditional lines for a long time to come before he adopts modern methods. But already the indigenous banker is linked with the central money market, e.g., he has accounts with various joint-stock banks particularly the Imperial Bank and acts as middleman between the central money market and the money market of the villages. Some more regulation, some more conscious attempt at making them part and parcel of a comprehensive banking organization may be necessary.

Q.—You have been talking of the reserve bank. Do you think that the Imperial Bank has served in the past as the bankers' bank? Are you for developing the function of the Imperial Bank or bringing into existence a separate institution, call it reserve bank or State bank?

A.—You cannot compare the function of the reserve bank with that of the Imperial Bank. Their functions are different. The Imperial Bank cannot act as a reserve bank because it now competes with the other joint-stock banks.

Q.—Do you think that the reserve bank should only control the money market and not do commercial banking?

A.—I would not lay much emphasis on that; because if the reserve bank is constituted then there will be alternative agencies available for the promotion of banking even apart from the Imperial Bank.

Q.—Are you for imposing any restrictions on the exchange banks and the foreign insurance companies in India?

A.—They now serve a useful function in the international trade.

Q.—Do you think they can develop on the same lines on which they are now developing or do you want to impose any restrictions on them?

A.—Apart from imposing any restrictions I am rather for positive development than negative attempts at control. My emphasis is rather for our developing our banking resources, our banking capital, our banking organization than placing any restriction upon their development. We can also, I think, run similar exchange banks. I would emphasize the positive side.

Q.—You do not want to interfere with their functions at all?

A.—They now serve a very useful function in the international trade and the national money market. India has at present large trade connexions with different countries of the world and it is all now done through the exchange banks. I am not for any kind of meticulous interference. I would rather advocate our organizing our resources, improving our organization, developing our wealth and thus being able in course of time to run the foreign trade of India.

Q.—Have you any scheme for the development of the savings of the very poor classes in the country, i.e., those who cannot go to a bank at the regular banking hours—labourers, certain classes of businessmen and such like people? Such people can save something but cannot come during banking hours to invest their savings?

A.—Are you thinking of towns?

Q.—Yes.

A.—That is a question for the practical banker to solve, whether he can alter his banking hours to suit such people.

Q.—Have you heard of “Evening Banks” existing in any country?

A.—I have not.

Q.—What is your idea with regard to municipal banking? Do you think that municipalities should attempt it?

A.—I would rather they discharged at present the functions that they are charged with now properly and without any ground for complaint than run banks.

Mr. Hearson: The main necessity of a bank is confidence. Only a large bank with plenty of capital would inspire confidence while a small bank will not inspire so much confidence. A local disaster of some sort will bring down a small bank. But if it is a big bank with branches, say, in Madras, Bellary, Rajahmundry, Calicut, Tinnevely, etc., a local disaster will not necessarily affect it. Is it not? Then is not a big bank preferable?

A.—To that extent it is true but there are other compensating advantages in the latter.

Q.—I understood you to say that the agriculturists who constitute the bulk of the population have no money to invest. What about the question of hoarding? They say that there are crores and crores of hoarded money? A vast amount of gold and silver is imported into the country every year. Is the money hoarded by the millions of the middle class or the few rich?

A.—If you take into consideration the fact that jewel is a form of hoarding then I can say that there is much of hoarded capital. This jewellery is largely a question of habit and that will persist until the whole outlook of the people is changed.

The Chairman: Is it changing?

A.—It is not changing rapidly. If it is changing rapidly then the co-operative movement would have shown much greater development than it has now shown.

Q.—All the banks say their deposits have increased. The rural co-operative societies have put a hundred lakhs of rupees in the co-operative societies.

A.—That is not the agriculturist.

Q.—It is the agriculturist. The agriculturists have put in 70 lakhs of deposits and about 30 lakhs of share capital. Is that not much?

A.—It is not much compared with the population.

Mr. Hearson: I understood you to say that you wanted to encourage the savings and at the same time to improve the standard of living. Are not these two antagonistic to each other? If you want them to spend more will you not make it difficult for them to save more?

A.—I think these two are complementary to each other. It is only people with a high standard of living that will save more. It is only countries which produce more, whose standard of life is very high who spend more and save more. In India they produce little, have a low standard of life and hence save also little.

Q.—In the last few years so many Chetti firms failed. I was in Bombay when the Specie Bank failed. Public confidence was very much shaken. It was so because the banks were not able to meet some reverses. Their resources were not great. Is it not better to have big banks with a large amount of capital than small individual banks?

A.—I am for joint-stock banks. There is no question of that.

Q.—I take it that you said that in the large towns you wanted the joint-stock banks and that they should spread in the smaller towns and that the indigenous banker will be a sort of advance guard spreading in small villages all over the country and to which places the joint-stock banks should later on follow. Is it not?

A.—Yes. As banking habit develops the indigenous banker will be absorbed into the joint-stock banks. But that will take a long time to come, but it is bound to come. That has been the course of progress in other countries as well.

Q.—In England there were formerly private individual bankers, but they were absorbed and now you get only the Big Five. Do you consider that the right kind of development?

A.—Yes.

Q.—As regards exchange banks that many many years should elapse before you need think or worry about an international bank, you have got to provide banking facilities for internal trade first. The banking facilities for international trading are at present adequate and any resource can be more usefully spent and is necessary for internal trade. Am I right?

A.—That was not exactly my position. It is that you could develop both at the same time, though the provision of banking facilities for internal trade requires urgent attention.

Mr. Thomas: May I ask whether it is the lack of mobilization of resources or the lack of savings that is the cause for the inadequacy of banking facilities in India?

A.—I think, both. There is a lack of resources and there is also lack of mobilization. Take for example, the amount of loans that the Government borrows. In spite of our large population we have not been able to subscribe for the loans that the Government of India requires every year for expenditure on railways and irrigation works. We find we have to go to external markets, which shows that our resources are not adequate to meet such demands.

Q.—You spoke of the disparity between the interest charged on loans and the interest paid on deposits. Is the disparity so very great?

A.—If you take for instance the indigenous banks, you will find there is very great disparity. As regards the rate on deposits I think the co-operative banks only pay $4\frac{1}{2}$ to 5 per cent on deposits paid to them.

The Chairman: They pay up to $5\frac{1}{2}$ per cent; and in some cases the village societies pay up to 7 per cent on deposits left with them by the public. The village societies borrow from the central bank generally at $7\frac{1}{2}$ per cent?

A.—The disparity noticed is due to the fact that some of the banks in the past failed to inspire confidence in the peasantry. The security that the ryot requires for his deposits must be A-1 and the rates paid by the joint-stock banks on their deposits are much lower than 7 per cent. This cannot help the ryot. The ryots in villages are very apprehensive, owing to their lack of education and they do not understand things that take place at a distance. It appears to me that the above stands in the way of ryots' making any deposit. They may have commonsense, but confidence is a thing that is lacking in them.

Mr. Thomas: I suppose the point you want to make is that the ryots find it difficult to save up, because the encouragement they get by way of interest on deposits is not encouraging enough?

A.—Yes. As the Chairman pointed out while even co-operative societies are paying not more than 7 per cent I do not think other banks would pay as much.

Q.—Can you tell me what is the prevailing method of granting credits followed by the Imperial Bank?

A.—So far as I know, the way in which the Imperial Bank lends money is on the security of goods, on produce, etc. In the branches in the mufassal they lend almost on goods.

Q.—What I want to find out is whether the methods of granting credits at present are calculated to foster sound business methods. Do they deal in commercial bills or in accommodation bills, merely?

A.—I have no expert knowledge, but I am told that it is done through overdraft. I agree that we must develop the ability of using bills. A bill market must be created in connexion with the establishment of a reserve bank and as far as possible the cash credit system must be replaced by the bill system.

The Chairman: May I know what you mean by the bill system?

A.—In the bill system we generally offer a bill as security which can be discounted at the reserve bank. By bill, I mean a bill of exchange.

Q.—What is the security for it?

A.—The security is goods, the name of the drawer and the drawee.

Q.—The bills that you refer to are different bills covering specific trade transactions. Do you include trade hundis also?

A.—It is a trade bill that I have in my mind.

Mr. Thomas: It is, therefore, necessary to develop the use of proper commercial bills in place of the present accommodation bills? This is essential for the development of sound business?

A.—Yes.

Q.—Is it your opinion that we have not done so in the past?

A.—We have been developing the cash credit side of banking, and with the opening of a reserve bank, I think we must have a bill market.

Q.—How would you encourage such bills?

A.—Trade bills can be encouraged by means of special agencies appointed for the purpose and also through banks in co-operation with the merchants. Propaganda will be of much use in this connexion and there must be also personal influence in the matter.

Q.—What class of businessmen undertake this work?

A.—I think the petty traders, the merchant houses and the middlemen who transport produce, all these people may draw bills.

Q.—Which classes of businessmen discount bills at present with the Imperial Bank?

A.—Through the merchants in towns.

Q.—Are not the Multanis and Marwaris now doing this?

A.—The Chettis, Marwaris and the Multanis have overdraft accounts. But I do not know very much about those things. Those are matters of practice.

Q.—Do you know why it is that some of them obtain special facilities for bills being discounted on more favourable rates than other classes?

A.—Perhaps it is a question of actual commercial practice. My own opinion is that the Multanis are a class of people who are engaged in the financing of the movement of produce. It is a self-liquidating bill that they are dealing in. That is to say, within a few months after their business they realize their money on the produce. But in the case of Nattukottai Chettis and Marwaris it is not so. They generally lend in the villages and their business is not a self-liquidating transaction in the sense in which a trade bill is. I think, perhaps that accounts for the Multanis getting better rate and greater facilities.

Q.—What facilities does the Imperial Bank at present give to agriculturists?

A.—They indirectly finance agriculture through co-operative societies by giving them facilities for overdraft. Secondly, they themselves lend money on produce. They stock the produce and on the security of it, they lend money. These are the two ways in which they help the agriculturists.

Q.—In regard to the Indian joint-stock banks, do you think there is ample reserve fund accumulated by them?

A.—Of course. If we examine the figures we find that the reserve is not on the same proportion as that of the exchange banks. As regards the exchange banks we do not know the figures of their foreign transactions.

Q.—You said in reply to a previous question that in England there is no regulation for the keeping of any reserve. But, in practice, the English banks keep ample reserve funds, and when any stringency arises, the Bank of England comes to their rescue. Is it not so?

A.—May be. As a matter of fact our Indian joint-stock banks also keep more or less as much as any English bank, but there, there is better organization, and the central banking organization there is well-co-ordinated, which makes the funds go further than is the case in India. Otherwise, I think, both are more or less on the same level.

Q.—Since there is not yet a central reserve system in India, do you not think that our banks are handicapped?

A.—Yes.

Q.—Do you think that it is possible to develop an agricultural paper market of long currency as in the United States of America?

A.—I think, in Japan there is one. I do not see any reason why we should not have one in India. I am of opinion that we must develop it here.

Q.—What facilities, do you think, are available here for such an advance?

A.—It is a question of warehouses only and, I think, we have ample scope here.

Q.—Who should organize and develop that kind of business, should we not?

A.—The Government may come forward to help, inspire, and guide the movement. Preference should be given more to private organizations, for, I find that in other countries private organizations depend on their own resources, with the influence and help given by Government. My sympathies are in that direction though I do not want to lay any great stress on that point.

Q.—What is the relation between the market rate and the bank rate in this Presidency? Is there not much disparity between them?

A.—I think with the progress of time the Imperial Bank rate has more and more an influence on the bazaar rate. That is what I feel, has been the case as time is progressing. The control is not quite the same as that found in well-organized countries where there is greater co-ordination.

Q.—You therefore say that there is considerable disparity between these two rates?

A.—I am not very familiar with that, but I think that there is not great disparity between them.

Q.—The point that I want to bring out is that the actual rate at which an ordinary businessman could get money is always much higher than the Imperial Bank rate. Can you tell me what is the reason for that?

A.—That is due to the fact that the money-lenders and those through whom the lending is effected themselves borrow from the Imperial Bank usually at the bank rate or a little more (say, $\frac{1}{4}$ per cent) according to their usual practice and naturally therefore they have to charge something higher.

Q.—Do you not think that the absence of proper stock-brokers is one cause?

A.—Even if you have bills, I think, the rate at which these bills are discounted will be higher.

Q.—With proper acceptance houses, as in England, do you not think that the conditions will not become better?

A.—Even in England there are differences, but the difference here appears to me far greater. It all depends on the money conditions in the bazaar as distinguished from the central bank.

Q.—Is it true to say that there are more facilities in this country for external trade than for internal trade.

A.—Yes, I think so.

Q.—What is it due to?

A.—Because in the external trade large masses of goods come into ports so that you can organize effectively through some kind of agency, whereas in the internal trade a large mass of small transactions is involved and hence a great deal of organization at different places is necessary. That,

to my mind, explains very largely the reason why you have greater facilities for external trade. Not only that. Those who want to buy our goods are a set of organized people and naturally they look after their interests very keenly.

Q.—What are the obstacles in the way?

A.—The obstacle is that our very economic organisation is very mediæval in character with a large mass of people whose standard of life is very low and whose saving is practically nil.

Q.—Why should not the co-operative societies and joint-stock banks become more serviceable and work more efficiently than they do to-day?

A.—Co-operative societies have very much more important work to do in giving more facilities for agriculturists and in raising their standard of living and increasing their economic prosperity. They are already striving towards that end, but I think, there is room for greater improvement and more rapid progress.

Q.—You know that some co-operative banks have taken to the discounting of bills and remittance of money. Do you think it is a legitimate line of business?

A.—I think that it is better for co-operative societies to stick to their work of giving primary facilities to the agriculturists than venture upon new transactions which must result in risks.

Q.—But, then, the agriculturists want facilities for remitting their money at a low rate. They also require facilities for getting their bills discounted. Especially where there are no branches of the Imperial Bank who will undertake it?

A.—I do not think that co-operative societies must do all that kind of business. That kind of work requires very great care which the indigenous bankers and the Multanis might do cheaply.

Q.—Are not co-operative central banks competent to do general banking work and can they not be made competent to do it, especially where joint-stock banks do not exist?

A.—Yes, they are, and their main work lies in the direction of developing the co-operative movement. I am not favouring it for this reason, that there is yet more direct work for them to do and the co-operator might say that this is also included as part of his work.

Q.—Will there not be any risk, then?

A.—As a matter of fact there may be risk in that. The co-operative primary banks are on unlimited liability basis. When trade bills are undertaken by them they are not particular to see whether there is any risk involved therein, but all the same there may be risks.

Q.—Do you not think that there are properly trained men for appointment in co-operative banks?

A.—Yes. I should think so. The co-operative movement will gain considerably if people who are trained in banking and economics are appointed in co-operative banks and institutions.

Q.—There are some optimists who think that the whole of banking business could be managed on co-operative lines, even exchange business. Do you think that this is feasible?

A.—They may be impregnable in that faith, but there are various kinds of banks that are required and there must be room for other banks also.

Q.—Now, may I know what plans you have for linking up the indigenous money-lenders and bankers with the central money market of the country?

A.—I have not got very definite plans. The indigenous banker must be looked upon as a very important person functioning in the Indian economic organization which is of a peculiar character. The attitude towards the indigenous banker should not be one of suspicion but he should be treated as a person who has a definite place taking our economic organization as it is.

Q.—Should he not be given help from Government? If so, what kind of help? There is a proposal that the indigenous bankers might be given facilities to get funds easily in lieu of some restrictions imposed on his business?

A.—Yes; for the simple reason that the ryot will be benefited if he has better facilities.

Q.—Some people think that Government cash balances might be utilized in increasing the financial resources of land mortgage banks. What is your opinion on that?

A.—Government cash balances are not very high. The general tax-payer will have to pay for it.

Q.—Are there not more important reasons against it?

A.—The main reason to my mind is that cash balances are not very high. Why should the general tax-payer suffer for it?

Q.—Is there sufficient facility for banking education in this Presidency to-day?

A.—It might be improved.

Q.—Do you think that the economist is properly utilized in ordering the financial affairs of the country?

A.—You mean as regards development schemes and things of that kind.

Q.—In regard to banking re-organization and financial developments in general?

A.—I think as regards the development schemes the economist might be utilized to a larger extent.

Q.—You are aware that in the United States and in England economists play a very important part in financial regulation and administration?

A.—Yes. Because the country requires for its improvement such special knowledge.

The Chairman: You suggested a little while ago that it is necessary to raise the standard of living in the villages. How would you do it?

A.—It is a very big question. It can be done as it has been done in other countries.

Q.—How do you propose to do it?

A.—It is by developing industries and by applying science to agriculture.

Q.—I take it that the profits of agriculture must be increased?

A.—Quite so. The income of the agriculturist must be increased.

Q.—That resolves itself down to two points; either he must grow more crops or he must sell the existing crops at a higher rate?

A.—Yes; and also any improvement ought not to be neutralized by an increase in population.

Q.—How is it possible to increase the yield of the land?

A.—I should think it is possible; otherwise the various recommendations made by committees like the Royal Commission on Agriculture are of no value, e.g., the Agricultural department is working various experiments.

Q.—What is the increase in yield you can expect?

A.—That depends on what the experiments are and how they would be applied.

Q.—Have you any idea?

A.—I cannot obviously foresee; that depends upon developments.

Q.—Material increase?

A.—Quite so.

Q.—How, materially?

A.—That depends upon experiments actually being applied. It depends upon the future.

Q.—Is it possible to raise the standard of living?

A.—Yes.

Q.—By how much the income will be increased? Have you any remote idea? How much per cent?

A.—One cannot say that.

Q.—10 per cent or 15 per cent?

A.—Yes; it might be even more. Japan has raised the standard of living. Why not India? It should be raised.

Q.—Can it?

A.—Why? Can it not?

Q.—The other point by which the ryot's income could be increased is by raising the prices?

A.—Yes.

Q.—Is there a beginning to it?

A.—It should be explored.

Q.—Have you explored?

A.—To some extent, e.g., pools should be created, especially for agricultural products.

Q.—What sort of produce?

A.—It might be groundnut, jute, cotton, etc.

Q.—Paddy?

A.—For paddy the markets are very near whereas the markets for other products are very distant; where the markets are far away, the surplus that is sold is very large. There is greater scope for pooling.

Q.—You think that pools taking the present state of affairs would result in disposing of the produce profitably?

A.—It depends upon so many factors.

Q.—What is the result of these factors?

A.—The result is that he may get some increase.

Q.—You cannot say definitely?

A.—No; I cannot probe into the future.

Q.—Taking the present state of affairs now the intermediary takes away a large share of the produce?

A.—If the ryot is organized he can perform the services of the intermediary himself and thus get some profits.

Q.—Particularly in relation to buyers, the sellers are very large in number. Is it not?

A.—The buyers are very few and the sellers are scattered and very large in numbers. The intermediary pays the seller. The ultimate buyer is the consumer. By the system of pooling and better organization on the side of the agriculturist he might get a better price.

Q.—You suggest the standard of living to be raised?

A.—Yes.

Q.—Is there any possibility of producing better crops for a higher standard of living?

A.—Quite possible in the case of certain crops.

Q.—Revised marketing methods might be possible to get some better prices?

A.—Yes; also better industrial developments and subsidiary occupations.

Q.—What is the subsidiary occupation?

A.—That is the difficulty. Industrial developments on similar lines to Japan must take place.

Mr. Muthiak Chettiyar: Do you think that bonded warehouses could be managed better by Government than by private agencies?

A.—Yes.

Q.—Do you hope that private agencies will be able to do it?

A.—They might.

Q.—Do you know something about the Chettiyars' business in Madras?

A.—I know something about that in the Presidency.

Q.—Have you heard that Chettiyars are emigrating to other places, Ceylon, Siam, Indo-China, Sumatra, Federated Malay States, etc.? What are the causes?

A.—Perhaps they get a better rate of interest than in Madras. It may be due to that. Perhaps there are more organized rubber estates in Malaya and vast stretches of paddy fields in Burma. In those places there might be perhaps a better sense of keeping borrowers up to their obligations than perhaps here.

Q.—Do the Chettiyar businessmen here experience difficulty in realising their outstandings?

A.—There ought to be a simplification of all methods of registration of documents, mortgage deeds, sale deeds and things of that kind. It ought to be done much more scientifically. That would be in the interest of the ryot and also in the interest of the general public.

Q.—Is it due to the difficulties experienced in recovery that the Chettiyars are taking to other foreign countries away from British India?

A.—Yes; delay in recovery. I was told that it was more simple in Malaya.

Q.—Have you heard of it?

A.—I have heard of the conditions of registration in Malaya being simple, clear and intelligible. If you have it here, the ryot will be benefited by his getting loans at a cheaper rate of interest.

Q.—Do the Multanis finance the agriculturist in this country?

A.—I have not heard of it.

Q.—The co-operative societies are exempted from income-tax and registration fees?

A.—That is true; on account of the human value in the co-operative movement that is done.

Q.—Is there an increase in insolvency proceedings?

A.—I think we hear of insolvency oftener.

Q.—What are the facilities that protect them to declare themselves as insolvents?

A.—The trading conditions compel insolvency. The insolvent might be a good gentleman. People resort to insolvency courts although there are private rumours that they lay by large sums.

Q.—Who is in charge of the insolvency administration in this Presidency?

A.—The High Court, I suppose.

Q.—Some indigenous bankers recently failed. You could say that they are due to their clients resorting to insolvency proceedings?

A.—It may be that or may be due to other causes. The fall in prices of various commodities has placed greater difficulties even in the way of the co-operative movement. Perhaps that might also have affected the indigenous banker. When the merchant finds that the prices have fallen down, the burden of his debt becomes greater. The cheapest way out of it is the insolvency court.

Q.—If you extend this system of equitable mortgages to the district towns or even throughout the Presidency, do you not think that the persons owning properties will be able to get loans on easier terms?

A.—I am all for simplification of the conditions relating to titles and registry of documents.

Q.—Would you extend this facility to all places throughout the Madras Presidency? Now it only obtains in the City of Madras and in the other towns you must have a regular mortgage deed.

A.—I do not understand that system.

Q.—In Madras if you have got a house you simply take the title deeds and take them to the money-lender who gives you the money and keeps them with him. But in Chingleput you cannot do that. Would you be in favour of extending this facility throughout the Presidency?

A.—Of course this is simpler and I am all for simplification unless it is attended with other disadvantages.

Mr. Thomas: Would it not work hardship on the borrowers?

A.—The title being simple and clear it is not likely to do so.

Mr. Muthiak Chettiyar: Now summary proceedings are taken only on loans on demand promissory notes. Suits are filed in the High Court and the summary proceedings are allowed. But these are not allowed in the mufassal. Would you extend these facilities to the whole of the Presidency?

A.—If it works undue hardship I am not for it. But if the ryots can take care of themselves and are clear about their obligations then simplification of the kind you suggest is helpful.

Mr. Gopala Menon: Do you know the reason why this simplification exists in Madras?

A.—I do not know.

Q.—Of course it facilitates trade. But in the mufassal towns there is not so much of trade. Under the circumstances would you be for giving the same facilities to the mufassal towns?

A.—I would be for it if the lender has facilities and on that account does not charge a high rate of interest.

Mr. Muthiah Chettigar: If this facility is afforded to the money-lenders they can recover the money and give it to useful businessmen. In that case would you not favour the extension of this facility?

A.—Oh, yes.

Q.—You were just saying about the increase of income for the ryots and about the developments to be carried out. Take the case of the delta irrigation works and the Mettur project and other things. By means of these do you not think that the income of the ryots could be increased?

A.—Oh, yes. It is being increased.

(The witness then withdrew.)

Friday, 24th January 1930.

MADRAS.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. C. GOPALA MENON, M.L.C.

Mr. H. F. P. HEARSON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU AVARGAL, B.A., B.L., M.L.C.

M.R.By. Y. RANGANAYACULU Avargal, Madras.

Oral evidence.

The Chairman: You are a merchant carrying on business in Madras?

A.—I am an inhabitant of Guntur district. I am carrying on business in Madras, Guntur and other places.

Q.—Are you doing any banking or money-lending business?

A.—I am not borrowing money from banks. But I am lending my own money.

Q.—On what securities do you generally lend?

A.—On promissory notes and sometimes on mortgages also.

Q.—I want to know what is behind the promissory notes as security?

A.—There is no such security, but we generally rely on our confidence in the borrower.

Q.—What is your ordinary rate of interest?

A.—I lend generally at 9 per cent.

Q.—Do you lend on house property?

A.—Not on house property. Sometimes zamin villages are kept as security and I lend on that.

Q.—Do you lend on jewellery too?

A.—No. It is sometimes dangerous.

Q.—Why do you regard it as dangerous?

A.—There is always difficulty in getting them valued. There are various qualities of jewellery and there is always fluctuation in the market with regard to their price. For the last few years the price of gold has been going down and we regard that business as dangerous.

Q.—Do you not think that you can easily value the jewels and realize your outlay at any time?

A.—We can, but the price is not steady. Certain jewels which have been valued at Rs. 1,000 some six years back are now valued only at Rs. 400 or Rs. 500.

Q.—What rate do you generally charge on jewels?

A.—I said that we do not lend on jewels. If ever we do, we charge 9 per cent but that depends upon the necessity of the borrower and tightness of money market.

Q.—How much do you charge on pro-notes?

A.—On pro-notes also we lend at 9 per cent, and that is for a fixed period. When the money is returned, and when there is no opportunity to invest it in business, we generally deposit it with the Nattukottai Chettis. Here we charge only 8 per cent. The deposit can be withdrawn at any time.

Q.—Do you carry on any trade besides?

A.—Yes, paddy and timber from Burma.

Q.—Do you depend on your own capital or do you borrow from any bank?

A.—I do not borrow. I depend on my own capital.

Q.—Have you any agency in Burma for purchasing the goods?

A.—We ourselves purchase them from some European firms in Burma. We send our own vessels once a year, buy them and return. I am the owner of some vessels also.

Q.—What is the firm from which you buy?

A.—Timber from Messrs. T. D. Findley & Co., Moulmein and paddy from Akyab.

Q.—When you buy paddy and timber from Burma, how do you pay from here?

A.—Through the Imperial Bank.

Q.—Is it by draft or by any other form?

A.—By treaty. If the amount to be sent is below Rs. 10,000, they charge two annas and if it is more than Rs. 10,000 they charge one anna.

Q.—Do you pay cash here?

A.—Yes, in the bank.

Q.—Do you send any telegraphic transfer or deposit cash in the bank?

A.—We keep our own money and we pay it into the Imperial Bank at the moment and they wire to their bank in Burma to pay there.

Q.—Are the goods delivered to you in Madras?

A.—If it is paddy it is delivered in Madras. But timber is delivered to us in the Guntur district at Nizampatam.

Q.—What do you then do?

A.—Nizampatam is not an important place for sale. We carry the timber from that place through the canal in different places in the district and sell it.

Q.—Have you any depots there?

A.—Yes.

Q.—Do you sell personally?

A.—Through our own men.

Q.—In retail?

A.—Yes.

Q.—Do you sell for cash or for credit?

A.—Mostly for cash but in certain cases, where we know our customers very well we will allow some time.

Q.—How much time do you generally allow?

A.—So far as timber is concerned, we do not sell on credit. In extreme cases we allow ten days at the most. Sometimes two weeks also.

Q.—How long will it take for you to realize your entire capital?

A.—It all depends on the steadiness of the market. Sometimes we recover in four months and sometimes in six. We generally send our vessels about 25th September. They will be loaded in November and if the sea is all right the vessels will return in December. It will take about 20 days to unload the vessels and our regular sales will begin only from January. Thence we will gradually realize our capital. This year there has been no sale of timber at all owing to the fall in the price of paddy.

Q.—You therefore say that your sale of timber depends on the sale of paddy?

A.—On the crop of the paddy as well as in its price. If there is good yield in paddy, the timber will be sold soon.

Q.—When you import timber straight away the bulk of money in those deltas will be in the hands of ryots who would have borrowed from the merchants for cultivation expenses. Until the ryots harvest their crops, sell their paddy and repay the merchants, the merchants cannot buy the timber. Is it not?

A.—Ordinary people who can afford, buy timber for cash; otherwise they will wait for some more time when money will be available.

Q.—You say that you cannot get money until the field is harvested and the paddy sold?

A.—That applies to ordinary ryots only who depend upon their crop. But the big ryots and merchants will have dealings with other people in cash. They sometimes borrow from others or we ourselves sell our timber to them on credit charging some interest thereon.

Q.—What is the rate of your interest then?

A.—It also depends on the amount we give on credit. For big sums we charge at the rate of 9 per cent. For sums from Rs. 400 to Rs. 500 we charge 12 per cent. The amount is payable within two months. Very often they do not repay at the end of two months. They only repay piecemeal, say, Rs. 50, Rs. 100 and so on. In such cases we charge interest according to circumstances.

Q.—For how many times do you send your vessel to bring timber from Burma?

A.—Only once. They bring 1,000 tons at a time.

Q.—How do you engage your vessels during the rest of the time?

A.—Generally from May to August they will not be used at all. They will be anchored in Ceylon. That is their resting place. They will be repaired in the meanwhile and they will sail after 25th September. Either they will go to Moulmein or Akyab. I have got passenger vessels also and they sail to both of these places. I also earn something by way of freight.

Q.—How many ships have you got altogether?

A.—Five sailing ships.

Q.—Are they doing nothing except going to Burma once a year?

A.—Up to the last year they were doing three trips. This year the freights have fallen far short of expectations owing to heavy rains in southern India. We have been losers for this year. By way of income-tax, by way of repairs and various other incidental charges, our business in that direction has not been profitable. Besides our vessels are not insured.

Q.—Why not you insure them?

A.—From the very beginning we have not been insuring them and further we have not been accustomed to insurance.

Q.—Is there any other reason besides custom?

A.—Our ships are generally engaged in coasting trade and we did not think it so necessary to insure them.

Q.—Do you deal in anything other than paddy and timber?

A.—Nothing else.

Q.—Do you not get coal from Bengal?

A.—No.

Q.—Is the paddy you get in Madras sold for cash?

A.—In Madras there is no such possibility unless we deduct at 8 annas per bag.

Q.—On what terms do you sell paddy?

A.—For one month's credit. The buyers pay within a month or a month and a half, according to the money market. If the market is steady they will pay within a month. We also sometimes lose when our buyers become bankrupts.

Q.—Do they hull the paddy into rice and then sell it?

A.—If it is for local consumption, we do so.

Q.—Do you get bills from the merchants?

A.—Nothing of the sort. Our buyers are only ordinary people. In extraordinary cases we get promissory notes.

Q.—Have you any means of getting credit from the bank for the stock that remains unsold?

A.—My principle is never to borrow. I carry on trade within my means.

Q.—If the stock remains unsold, then do not you think that so much capital is tied up unnecessarily?

A.—Yes.

Q.—How then can you deal in fresh timber business until you have sold your stock of paddy?

A.—I do not see any use in going for fresh timber when I have not sufficient money in hand.

Q.—Do you therefore say that you will be keeping quiet until you get money from the sale of your paddy?

A.—As regards timber I buy what I could from the liquid cash in my hand. For paddy I have already large stocks and last year I have lost about Rs. 30,000. The prices do not suit in Madras.

Mr. Muniswami Naidu: Do you know the needs of the village people? Can you tell me how the villagers get their money?

A.—Generally from money-lenders, from sowcars in the villages and from some big ryots.

Q.—Who are the general money-lenders? To what caste do they belong?

A.—They belong to Vaisya caste. There are also people like us who lend money. These are the two sorts of people who deal in the money-lending business in the Guntur district.

Q.—Do the general money-lenders lend on mortgages?

A.—Some on mortgages and some on promissory notes.

Q.—You say that you generally charge 9 per cent on the moneys you lend. Can you say what the other money-lenders charge generally?

A.—Others charge 12 per cent. The ordinary petty money-lenders (Vaisyas) charge something more. Marwaris are also nowadays lending in Chirala, Tenali and other places in the Guntur district. Their rates are still higher. They charge Re. 1, Rs. 1-8-0 and so on. They charge for days also.

Q.—People who are borrowing from the villages, are they able to repay the loans in time?

A.—If the crops give good yield and if the prices of paddy grow high, they will pay in time.

Q.—You have got delta and non-delta areas?

A.—Both.

Q.—In the delta areas are the people able to repay the debts?

A.—Under the above conditions they will repay.

Q.—If there is no rain?

A.—If there is no rain, the dry areas are better than delta areas.

Q.—In dry areas what is the main crop?

A.—Chillies, tobacco, groundnuts, horsegram, redgram and coriander.

Q.—I want to know whether the tendency has been for people to allow their lands to be sold to repay their debts?

A.—Lands are sold to clear off their debts when they find that they are not able to repay their debts.

Q.—Have you purchased any lands like that?

A.—No.

Q.—Are people who are cultivators losing their lands and are lands passing to people who are not cultivators?

A.—Yes; to some extent.

Q.—Who are the persons who generally purchase the lands?

A.—Those persons who have money.

Q.—Are they cultivators?

A.—Cultivators as well as non-cultivators buy.

Q.—Who finances them for raising tobacco, chillies and other things?

A.—They borrow from us as well as from Vaisyas.

Q.—Are co-operative societies now working in your district?

A.—Yes.

Q.—Is there one in your village? Is it supplying sufficient capital for the village?

A.—There is not sufficient capital. If there are co-operative societies in the villages, the ryots will be free from all debts.

Q.—Do you think that by the development of co-operative societies the ryots will be benefited?

A.—The co-operative societies also charge heavily more than what we charge sometimes.

Q.—What is the co-operative society's rate?

A.—9½ per cent; we pay at the rate of 9 per cent.

Q.—Are you lending at 9 per cent? Are other people lending at 9 per cent?

A.—There are some Marwaris who even lend at 12 per cent and 18 per cent.

Q.—I am asking about the village money-lenders, Kammas and Vaisyas. Are they lending at 9 per cent?

A.—Not everybody. I know some villages where they are giving at 9 per cent.

Q.—Has the village money-lenders got sufficient money?

A.—No. That is why they go to towns to borrow money.

Q.—What is the remedy?

A.—By the development of more co-operative societies.

Q.—Supposing co-operative societies are introduced, will money-lenders work against them?

A.—If it is more than 9 per cent, these people may go to sowcars.

Q.—Is there any need for long-term lending for marriage expenses, clearing old debts on mortgage of land to be repaid in 10 or 15 years?

A.—Private people do not lend for long terms.

Q.—Do you think that if co-operative societies are started and if they lend money for 15 years, taking security of land, the villagers will be benefited?

A.—Yes.

Q.—Do you think such land mortgage banks will work in your district?

A.—Yes.

Q.—Do you think there will be people who would be willing to invest in land mortgage banks and debentures with 6 per cent as return?

A.—Some may be willing.

Q.—Now with regard to tobacco it is largely grown in your district. Are there good facilities for marketing?

A.—Yes. They are able to effect marketing in Chirala where the South Indian Tobacco Company has a factory.

Q.—Are the villagers able to get good prices?

A.—They are getting good prices.

Q.—Who is the ultimate purchaser of the tobacco?

A.—Most probably big firms in South India.

Q.—Between the purchaser and the actual cultivator is there any dalal or commission agent?

A.—There are commission agents in Chirala.

Q.—Are they townsmen?

A.—Villagemen.

Q.—Who is it that purchases it from them?

A.—The European firms and their agents. They are giving seeds also. The South Indian Tobacco people are lending to the ryots. They purchase even crops as they are growing in the field.

Q.—Who are the agents or the commission agents?

A.—Only ordinary people.

Q.—Do they lend money to the cultivators?

A.—No.

Q.—What is the profit they make?

A.—Eight annas for a bale because they do not speak with those people.

Q.—Do the village money-lenders or the richmen of the village advance money to the person who raises tobacco on the understanding that tobacco should be supplied to them?

A.—Not nowadays.

Q.—Do you think that the co-operative societies could purchase tobacco and sell at good advantage? Will it do good?

A.—No doubt, it will do good.

Q.—Will such societies work?

A.—I think they will.

Q.—There will be no hostility for them?

A.—I do not think there will be hostility.

Q.—Are there any such societies in your district for purchasing produce on behalf of co-operative societies?

A.—There are none.

Q.—You said that there are a number of money-lenders both Kammas and Vaisyas and that they have sufficient money to lend to the ryots. Do you think that anything could be done to finance them to a larger extent? Would they be willing to borrow from the Imperial Bank or the Indian Bank?

A.—I do not think that they will like that.

Q.—Would they like to have more transactions with banks so that they might have more dealings?

A.—Vaisyas will borrow but the Kammas will not borrow.

Q.—Supposing they are given facilities for getting money at a cheaper rate of interest. In return for that advantage they should get themselves registered and allow their accounts to be audited. Would they agree to it?

A.—No.

Q.—Are people willing to lend money on security for the purpose of securing some interest?

A.—Some will give on security.

Q.—Are there any difficulties with regard to titles of land?

A.—No difficulties.

Q.—Is there a large number of insolvency cases?

A.—Not as in Madras. People dealing in towns will ordinarily resort to insolvency. In the villages they will not resort to insolvency. In olden days there was no sale court.

Mr. Gopala Menon: You are a landlord?

A.—Yes.

Q.—You are a money-lender and a trader?

A.—Yes.

Q.—You often lend money?

A.—Sometimes I lend when I am not in need of money.

Q.—Have you set apart a certain amount for each purpose? For trade so much, for money-lending so much and for cultivation so much?

A.—If people return the loan, I give that money to others in case I find no use for that money.

Q.—During the dull season when trade is slack do you keep your surplus cash or send it to the bank?

A.—It will be lying idle. I never used to send it to banks. I put it only in Nattukottai Chetti business houses. As a businessman I may require money at any time. From the cultivators of the land money could not be had at any time.

Q.—Have you got any current account in any bank?

A.—Only in the Indian Bank.

Q.—You are not in the habit of keeping surplus money in the bank. You send it always to Nattukottai Chetti banks or the Indian Bank?

A.—Not to the Indian Bank always.

Q.—You come from the district of Guntur. Do the money-lenders there generally keep the surplus money with them or do they bank it?

A.—Whenever they have got surplus money they only keep it in their chest or give it to Nattukottai Chetti businessmen.

Q.—Suppose all this is everyday banked do you not think that it will be useful for the purpose of trade and for the community as a whole? Will not that be useful to other people?

A.—You cannot send it to bank because banks are far away. The banks are 22 miles away from my house and they give only 2 per cent on current account.

Q.—When you keep it in the house you do not get even that 2 per cent?

A.—It is very difficult to take it to bank.

Q.—Therefore you think that it is due to the want of banking facilities that people are not having accounts with the bank? Now if in rural areas you have got facilities for banking, do you think that they will bank their money?

A.—What is the use? They will not pay more than 2 per cent.

Q.—What I want to know is whether the hoarding habit is due to lack of facilities for banking? Some people at least will send their money to the bank if there is a bank in the locality?

A.—In the beginning there may be difficulties.

Q.—The Imperial Bank is paying 2 per cent on current accounts?

A.—But other banks are paying 2½ per cent and 3 per cent.

Q.—I understand that the Andhra Bank is paying 4 per cent on current accounts. Supposing there is banking facility, do you not think that people will bank their money?

A.—Some may bank their money.

Q.—In that way you think that hoarding habit can be minimised?

A.—Might be.

Q.—In the rural areas how is the major portion of the loan requirements met? Do people lend money on securities?

A.—Not on securities. Often they give even on oral words of promise.

Q.—Do they not lend money on jewels?

A.—Little of that sort. Sowcars and Marwaris lend on jewels and on pro-notes also. They give on mortgages also. Other professional money-lenders give also on properties. The main portion of the loan requirements in the rural areas is met either by pledging jewels or by taking money on pro-note or by mortgaging landed property or house property. Especially in Guntur district people are giving money with confidence on pro-notes alone.

Q.—Do you not think that several people are lending money on jewellery?

A.—Some do.

Q.—What is the tendency in Guntur district and other places as far as you know for investment in jewellery? Is it on the increase? Do you not think it a secret way of raising money?

A.—Might be.

Q.—In other cases they will have to go to the office of the Registrar and get it registered. Suppose a lady wants Rs. 100, does she pledge jewels and get money?

A.—There ladies will not go and borrow.

Q.—What is your experience in other parts? Do you think your district is superior when compared with other districts like Godavari and Kistna.

A.—There the mortgages will be less.

Q.—I understand that even the banks are now advancing their loans on the security of gold. Is it being done by the Imperial Bank in the Northern Circars?

A.—I have not heard of it.

Q.—What is the rate of interest in such cases, on mortgages as well as on pro-notes?

A.—9 to 12 per cent. But the Marwaris are charging more.

Q.—On account of the competition that exists in the matter of banking facilities, have the Marwaris had to reduce their rate of interest in recent years?

A.—If other banks develop they automatically reduce their rate.

Q.—Now for instance there is the co-operative society. Has that any effect on the rate of interest charged by the Marwari?

A.—If you improve the co-operative societies, the Marwaris must reduce their rates themselves.

Q.—Now the co-operative societies are lending at the rate of 9 per cent. Do you think that on account of that the lending rate of the indigenous bankers has gone down?

A.—Yes.

Q.—So there is a reduction in the rates charged by the indigenous bankers?

A.—Yes.

Q.—You said that the paddy business is rather on the decline as compared with the previous years. Can you assign any reasons why the price of paddy has gone down?

A.—The year before the last the price of paddy was Rs. 8 or Rs. 8-4-0. But last year the price fell by Re. 1 and this year it has further fallen by Rs. 2 and the price now is Rs. 5 and thus the price has fallen by Rs. 3.

Q.—Is it due to better crops?

A.—It is due to good rains in the southern parts. There were no rains at all in the northern parts but on account of the water in the Kistna we had a good yield.

Q.—I want to know whether it is due to good rains in the southern parts and not in your parts?

A.—Our parts got good yield because both the Kistna and the Godavari rivers gave a good supply of water.

Q.—Do you import paddy from the southern parts to the Northern Circars?

A.—That is never the case.

Q.—Then why has the price of paddy in the Godavari district gone down?

A.—It is because there is no export from there. Generally paddy goes from the north to the south.

Q.—What I want to know is whether it is due to the heavy import from outside?

A.—Generally broken rice used to be imported in large quantities by the southern parts from Burma. But this year even an eighth part of what was being imported has not been received.

Q.—You are not importing from Burma?

A.—No.

Q.—Is there a decline in the price in Burma?

A.—Yes.

Q.—Do you know the reason why the price of paddy in Burma has gone down?

A.—It is due to the fact that there is less export.

Q.—What is it due to?

A.—I have already explained the reason to you. There were good rains in the southern parts and the west coast and so less quantity was imported from Burma.

Q.—But is not plenty of Burma paddy still coming?

A.—Not this year. The accounts that you may have may be those for the export before September last.

Q.—Have you heard of big paddy merchants in Burma coming to grief on account of failures?

A.—There may be some cases of the kind.

Q.—Do you know that they have been cornering their paddy every year and this year owing to the fall in the price of paddy in Burma they have been faced with failure and as a result of that the price of paddy in India has also correspondingly gone down?

A.—Yes. For my stocking here 7,000 bags I am a loser by Rs. 30,000. In the same way the people who have stocked thousands of bags would be losers certainly to a great extent.

Q.—Do you find a sale for the timber that you import from Moulmein throughout the year or is there only a demand during some seasons?

A.—There will be a demand throughout the year. The vessel will be here by the first week of December.

Q.—Do you find that the demand for timber is greater immediately after the harvest?

A.—They have need for timber for building houses in February, March, April and May before the rains. In some other parts of the year also they build houses.

Q.—When you effect sales of timber to the interior parts of the country how do you recover the money? Is it an open loan or do you draw hundis on them?

A.—We get money from the retail shops.

Q.—You do not draw any hundis?

A.—No. If anybody wants some time we generally take a pro-note and the money is given by him by the time agreed upon.

Q.—Have you experience of hundi business in the Coral Merchant Street?

A.—I am not doing it.

Q.—Have you any experience?

A.—Yes.

Q.—Do you get hundis regularly from up-country on the Coral Merchant Street bankers?

A.—Yes.

Q.—Is there greater scope for drawing hundis locally, from the southern parts or from the Circars?

A.—There are two or three hundi merchants also here who are Brahmins. From Malabar and other places and even from Ceylon they get hundis.

Q.—Are they all cashed in the city or do they get money in the other places?

A.—They are cashed here.

Q.—They are not negotiated like cheques?

A.—No.

Q.—Suppose they are allowed to be negotiated. Do you think that then there will be greater scope for transaction in hundis?

A.—Yes.

(The witness then withdrew.)

Friday, 24th January 1930.

MADRAS.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. H. F. P. HEARSON, M.L.C.

Khan Bahadur V. HAHERD SULTAN MARICAIK SANIB Bahadur.

M.R. By. WALJEE KANJEE Avargal, Madras.

Oral evidence.

The Chairman: Mr. Waljee Kanjee, you are carrying on business in Madras as a banker?

A.—We are bankers, piece goods merchants and cotton merchants also. But now we find the business in piece goods somewhat hard and so we invest our money in banking.

Q.—Am I to understand that you are investing your money in one or the other of the above businesses as need arises according to the condition of the market?

A.—Yes.

Q.—I take it your banking business is entirely done on short-term loans?

A.—No. We divide our capital and invest some portion in banking, some portion on mortgage and some portion on piece goods and cotton business.

Q.—Have you got also a certain amount which can be used for one or the other of the above?

A.—Yes.

Q.—In regard to the banking business how is your capital chiefly utilized?

A.—We deposit with the Nattukottai merchants in their current accounts. Half the banking amount will be in the current account. The advantage of it is that whenever we require money, we can draw from those merchants. If they have no money to pay at once they will require a day within which to pay and the next day they will give the amount required. But the money given on pro-notes or mortgages cannot be so got whenever we require. This current account amount on the other hand can be considered as cash on hand. That is the same as current account in the banks. Whereas in the bank we get only 2 per cent here we get more.

Q.—The surplus cash you keep in your own safe?

A.—If the demand is slack we have to keep the surplus in our own hands sometimes.

Q.—Is there a fairly good number of merchants to keep current accounts with you?

A.—There are very many Marwari and Nagarattar merchants.

Q.—On what security do you lend to them?

A.—For the current account we have no security from them.

Q.—Do you advance a good deal of money on the hundis?

A.—In regard to that in the City of Madras, there are three classes of merchants and the two first classes do not like the hundis. It is only the third-class merchants who like the hundis and so the parties may not be very satisfactory if we resort to hundis.

Q.—You do not have much business in the way of discounting hundis?

A.—No. But in case we require any money then we discount any bills. But generally to rotate our business we do not have to discount hundis like the shroffs and the Multani merchants.

Q.—Do you import the piece goods yourself?

A.—Mainly we get the mill goods only.

Q.—You buy from the mills?

A.—Yes. We get our requirements from the Madras United Mills.

Q.—Do you buy as a merchant or as a commission agent?

A.—Only as a merchant. We make contracts with them. There are the Sholapur Mills as also the Bombay Mills with whom we have transactions.

Q.—Do you sell to retail merchants?

A.—We sell to retail merchants as well as to wholesale merchants and even to the merchants in the mufassal.

Q.—How is that business carried on?

A.—Generally we give a month's credit, but if any merchant pays on the spot he is given a rebate of 1 per cent.

Q.—It is a very good discount, is it not?

A.—Yes. Even then no merchant will pay cash and if we try to sell goods only for payment of cash immediately, there may not be much sale.

Q.—You pay on the same terms to the mills who supply you?

A.—We pay cash. In mills payment has to be made against delivery.

Q.—You do that with your own capital?

A.—Yes.

Q.—And recover it within a month of the sale and you are selling it the whole time, I suppose?

A.—The thing is this. With the Madras mills we make a contract for the number of bales that we may require and whenever we require any goods we pay cash and take delivery.

Q.—Do you only take delivery when there is a prospect of selling?

A.—Yes.

Q.—Then you sell on a month's credit?

A.—Yes.

Q.—Do you draw bills on the buyers from you?

A.—There is no such system because even after the expiry of the month they are not able to pay the money generally and so we have to wait for even two or three months in the case of merchants from outside and they are mainly very big merchants and for the delay they allow an interest of 1 per cent.

Q.—In the meantime you have got to wait for the money?

A.—Yes. If we hurry them and say that they should pay within the month they would get angry and may not come to us again for business. We have therefore for the sake of continuity of business to give that facility to them in return for which they pay interest at 1 per cent. Generally it is 1 per cent but sometimes merchants give 12 annas and 14 annas.

Q.—You cannot draw a bill on them and discount it and get money at once from anybody else?

A.—I do not think that there is that system in Madras. But in the case of the office people I think they take pro-notes and hundis and they give a certain time after the arrival of the goods to their place.

Mr. Thomas: What do you mean by 'office'?

A.—European firms.

Q.—Indenting firms?

A.—Yes.

Mr. Gopala Menon: You know all about the banking business in Mint Street?

A.—Yes.

Q.—I wish to know who are generally the dealers in money there?

A.—The Multanis and the Marwaris.

Q.—Is there any distinction made between bankers and money-lenders? Some of these Multanis and the Marwaris call themselves as bankers and others call themselves as bankers and money-lenders. I wish to know the difference between the two?

A.—Banker means a person who runs a bank and the money-lender is one who lends money only.

Q.—I was told that there are five Multanis or Marwaris who were only bankers, and that they were attending to banking business only and had no trading business. Is that true?

A.—As far as I know they have some trading also and what is there to prevent them from taking to trade if they can get profit thereby at times?

Q.—Do you mean to say that they advance money on goods?

A.—It does not stop them from taking to trade.

Q.—Generally is that the case with them?

A.—They are primarily bankers and I do not think that they trade. They give money on immovable securities.

Q.—Have you any experience in the past and do you know of cases in which bankers who had taken to trading business in yarn and piece goods got into serious trouble and their business came to a standstill?

A.—They failed because they were not able to dispose of the goods that they had with them and hence they failed.

Q.—Do you find many of them doing both a banking and a trading business?

A.—Not generally. Their main business is banking.

Q.—Is it your view that a banker should not trade?

A.—If the banker finds it suitable to trade profitably he can certainly take to trade in addition to banking.

Q.—As a rule is it good for the country or for the man that a banker should always remain a banker?

A.—Yes.

Q.—You are both a money-lender and a trader?

A.—Yes.

Q.—Have you kept your capital distinctly earmarked for each?

A.—No. If the trading business is brisk and requires more money, then we draw from the banking business and if the business in trade is slack, that surplus money will go to banking.

Q.—Do you not think that there is enough room for banking business alone?

A.—There is a good field for banking.

Q.—From your banking department do you advance money to your trading department?

A.—If a merchant purchases from me some bales, I get a pro-note from him and he has to pay the amount due on the pro-note within a month.

Q.—Do you hand over the pro-note to your banking department?

A.—We are not called bankers or anything of the kind. But we are doing lending business.

Q.—Are the trade bills handled in your trading department or in the banking department?

A.—We have no separate department either for trade or for banking business. We are three brothers and we all do one and the same thing and the books are all one and the books are not separate for the two.

Q.—Do you not think that it is far better to know what profits you can make in the trading department and what profits you can make in the banking department of yours if you kept the respective accounts separate?

A.—Even now we can make out easily what we are able to make under each head.

Q.—But that can be done only after going through the details. If the separate accounts were kept would it not make it simpler and easier? Do you not think that it is a much more systematic method of doing it?

A.—If the business were big that may be necessary. But because our business is not so big there is no necessity and even as it is we can easily find out what profit we are able to get under each heading.

Q.—Do you not think that it is far better and far more businesslike to make each department responsible for the profit and loss of that department?

A.—It will be so in the case of big concerns who cannot otherwise know what profit they are earning under each of the various heads of their business.

Q.—There are a number of small money-lenders in Sowcarpet who are lending out to small clerks and others sums not exceeding Rs. 100. What is the usual rate of interest that they are able to make on the money lent out by them?

A.—The Marwaris give loans on the pledge of clothes, vessels, and other things, including even old shoes and they will charge an interest of about 2 per cent per month. Generally it would not be more than 24 per cent.

Q.—Have you ever heard of the practice of these small money-lenders who get a pro-note for Rs. 100 and pay only Rs. 60 and keep the remaining Rs. 40 towards the interest?

A.—There are I hear some such cases but these are rare. Such people do not thrive at all but on the other hand they are ruined.

Q.—So, there are small transactions of that kind?

A.—Yes. In my neighbourhood there are some people who are doing discounting business. What they do is to take a pro-note for Rs. 100 but give only Rs. 60 or Rs. 75. But such men are not thriving at all. They ruin themselves after some time.

Q.—When they do not get their monthly instalments do they charge any extra interest?

A.—If they charge extra interest who is to pay the amount. They necessarily go to a court of law and there it will be decreed that one rupee or two should be paid every month for the discharge of the debt.

Q.—Are there many such people?

A.—Before there were many but now they are on the decline.

Q.—Is it because they are not able to get back their money which has been lent out that they are on the decline?

A.—Yes. But these Marwari money-lenders who give loans on the security of clothes and other things have decreased.

Q.—Do they lend on house property security?

A.—Yes. They lend also on goods, vessels and clothes, not to speak of any other thing that may be taken to them.

Q.—What rate of interest do they charge on such transactions?

A.—About 24 per cent. They are in the Madras City, in Rayapuram, Choolai and the suburbs; altogether there are about 3,000 Marwari shops.

Q.—What will be their average income?

A.—Some people who began as small people are now worth Rs. 10 lakhs. There are one or two such in Mylapore.

Q.—Do you mean to say that they started on a small scale and then their business improved and on account of that they have now got Rs. 10 lakhs?

A.—Yes.

Q.—What about the capital of the small Marwaris?

A.—They will have about Rs. 5,000 to Rs. 10,000.

Q.—Have they even now got such small shops in places like Triplicane, Purasawalkam and Choolai? In those shops are they still lending at exorbitant rates?

A.—The three thousand shops that I mentioned include the shops in all the places you mentioned.

Q.—Has the man who has made a big capital still got the small shop by which he first started?

A.—Such men would not give small sums as loans but on the other hand their dealings will be in thousands of rupees. But I do not know whether these people have got their branches which are run by agents for them. To my knowledge they have no paid agents but they themselves run the business.

Q.—So the big men have given up their small shops to their agents who work them for their own sake?

A.—Yes. If any of these small shops do not have enough capital to lend and are in need of money then they go to Sowcarpet and take with them the articles on which they want to give the money and keep them with the bankers and get the required money.

Q.—At what rate of interest do they borrow money in Sowcarpet?

A.—9 per cent.

Q.—What is the rate at which they lend?

A.—24 per cent.

Q.—What is the kind of security they take?

A.—If the amount is very big gold ornaments will be required as security. But for small amounts even vessels would do.

Q.—Besides lending money what other classes of business do the Marwaris take themselves to in the city?

A.—They are sundry merchants also. For instance in Govindappa Naick Street some of them are spice merchants.

Q.—Have these spice merchants got branches in the up-country?

A.—They have in Bombay and Bezwada.

Q.—They utilize those branches for purchasing the goods and despatching to the Madras city, I suppose?

A.—Generally these spices come to the Madras market from Singapore.

Q.—Do you know how they finance their trade?

A.—Their agent addresses them through the bank and they have to pay the bill in the bank and take delivery of the goods.

Q.—Suppose they buy the goods in Bezwada and have to bring them to Madras. How will they transmit the money for payment of the goods?

A.—By means of hundis.

Q.—Is it drawn on the merchants to whom the goods are sent?

A.—It is drawn on the buyers.

Q.—In favour of whom is it drawn?

A.—If he gives a Bombay hundi it will be drawn in favour of the Bombay branch or the Bombay *adathua*.

Q.—But when the goods are sent to the Madras merchant it is drawn on him, is it not?

A.—Suppose I make a purchase in Bezwada. I will give a hundi on the Bombay branch.

Q.—With whom does the Bezwada merchant discount?

A.—If he has got any connexion with Bombay and if he wants to remit money to Bombay he will forward the hundi to his *adathua*.

Q.—I want to know whether such hundis are put through Madras or through Bombay?

A.—It depends on where the buyers want to give. If the seller in Bezwada wants he will sell either the Bombay hundi or the Madras hundi in the market.

Q.—So, in Bezwada itself he can raise the money?

A.—Yes.

Q.—What is the discount?

A.—It will be about one anna or one and a half annas ordinarily. In the busy season it may be a little higher and in the slack season it may be a little lower.

Q.—So the bulk of the financing is done in the way of drawing hundis either on Bombay or on Madras?

A.—Yes.

Q.—Do you think that sort of hundi business is very much resorted to in the ordinary trade?

A.—Always for remittances hundis are resorted to.

Q.—How are they done?

A.—By means of *dharsan hundis*.

Q.—What are the other classes of hundis?

A.—They are hundis payable 3, 5 or 8 days after sight. It depends upon the *usami*.

Q.—You have got only two kinds of hundis—dharsan and usance?

A.—Yes.

Q.—Is there any other kind of hundi?

A.—I do not think that there is any other kind.

Q.—In Bombay have you heard of any other kind of hundi?

A.—There is the *voida* hundi. Generally if a hundi is made payable after one or two days there must be full stamp affixed. But in order to avoid the stamp duty they write in the hundi as in the usual course 'On demand pay to so and so,' but at the corner they will write the date on which exactly the amount should be paid on it.

Q.—What is meant by *mudathi* hundi?

A.—That is simply the *voida* hundi.

Q.—What is a *shajog* hundi?

A.—It is this. It will be said there 'pay Rs. . . . after enquiring address and everything.' Then the party who pays the hundi at Bombay will have to satisfy himself that he pays to a solvent. The merchant who receives the amount must be a solvent person. The money should not be paid to any unknown person and if any question arises, if the person who paid is not able to satisfy that he paid to a merchant and that he was a merchant and solvent at the time will run the risk of being held responsible for the amount of the *shajog* hundi. There have been some cases in regard to that in Bombay.

Q.—What is the *dhani* hundi?

A.—Dhani means pay to so and so or order and then like a cheque it will be endorsed on the back and anybody can collect that hundi.

Q.—What is *Deccan* hundi?

A.—That is sight hundi.

Q.—In the case of the dharsana hundis are they paid immediately on presentation or does the drawee ask for time?

A.—In Madras the value of the dharsana is somewhat less than what it should be. It should be paid the moment it is presented but generally the person on whom it is drawn says that he has no money at hand and that he will pay in a day or two and that he will pay interest if it takes longer for him to pay the amount.

Q.—So it is not generally paid on the day of presentation. If so, what is the time usually asked by the drawee?

A.—If the merchant says that he has no intimation he can claim three days' time.

Q.—Has it become a regular practice to allow three days' grace for payment?

A.—If he says that he has no intimation, then only he can claim three days for payment but otherwise he cannot.

Q.—So, is it the usual practice to allow three days' time for dharsana hundis?

A.—It is not the usual practice but if the drawee tells the merchant who has got the hundi that he has received no intimation from the drawer then the merchant is bound to keep it for three days by which time generally the intimation will arrive.

Q.—It is a dharsana hundi and it should have been paid on the due date. Suppose the party who presents it do not get the money on that date. Should he then wire to the party from whom he received the hundi that it has not been paid?

A.—He must wire that the hundi has not been paid.

Q.—But do they do that generally?

A.—In times of necessity they wire like that.

Q.—If the party does not pay on the date the hundi is presented and the man who has presented it thinks that he is not in a good position then he intimates the fact of non-payment to the party from whom he received the hundi. Is it not?

A.—Yes.

Q.—Have you known of cases in which such hundis have not been paid when presented and that non-payment has become prejudicial to the interests of the man who kept the hundi with him?

A.—I have not heard of such cases.

Q.—Do you think that, if he goes to court, he can compel the man to pay if he has not paid on the due date because those three days are not recognized in law? These days are merely customary.

A.—There is no risk in keeping it for three days and I think if you go to court you can succeed.

Q.—I want to know whether in the case of hundis drawn at 60 days, it is presented for acceptance just like bills of exchange or only intimation of its receipt is sent to the drawee?

A.—These hundis will be sent to the drawee for acceptance and the drawee will write the word 'accepted' on it and then put his signature also.

Q.—Do you think that if facilities for discounting hundis are afforded the internal trade of the country will be greatly facilitated?

A.—Yes; it will be greatly facilitated. There is ample scope for the development of these hundis.

Q.—What additional facilities do you want to increase the hundi system?

A.—First the stamp duty of $1\frac{1}{4}$ per cent is very heavy and it must be reduced. If that is done then it will greatly help merchants.

Q.—Apart from the stamp duty do you think that the indigenous banker in the rural parts and the money-lenders in the small cities in the mufassal freely resort to the drawing of hundis or are they operating only on open accounts?

A.—More often business is done on open accounts and hundis are seldom drawn. But it depends on the merchants who buy the goods.

Q.—If a merchant sells goods on one month's credit is it not better for that merchant to draw a hundi on the buyer and then discount that hundi with a banker and utilize the money? The hundi will be paid on the due date by the buyer of the goods.

A.—Generally they do not do like that for fear that the hundi may not be paid on the due date and that the credit of the drawer will be damaged.

Q.—You know the piecegoods trade. Now people in Godown street sell goods to merchants in the mufassal, say, in Kumbakonam, Tanjore, etc. What is the usual credit allowed in such cases?

A.—It is usually 75 days, for English goods and 30 days for mill goods.

Q.—So when the dealer comes here and purchases goods you know it is sold on credit. Do the Godown street merchants draw hundis on the buyer for 75 days or is his account only debited?

A.—They generally debit his account only.

Q.—Can we not improve that business by drawing a hundi on the mufassal merchant in order that the Godown street merchant may discount that hundi in a bank and with that money pay the importing firm from which he has purchased the goods?

A.—If such a system is adopted it will be very convenient for the merchants, but you have to be quite sure that the hundi will be paid on the due date. It will be very discreditable for the merchant if it is dishonoured.

Q.—Generally if hundis are drawn for such kind of business gradually you can develop transactions in that way. Is it not?

A.—Yes, quite so.

Q.—The only thing you want is banks and branch banks. Is it not?

A.—Yes.

Q.—Are these dharsana hundis drawn on real commercial transactions or are they also drawn in the way of accommodation hundis?

A.—It is a commercial hundi and not an accommodation hundi.

Q.—What is the usual credit that a stationery merchant or an iron merchant gets from an importing firm?

A.—30 days generally and in some cases 60 days.

Q.—These merchants sell to mufassal merchants on 75 days' credit. Do you not think it will greatly help them if they get from the mufassal merchants hundis payable 75 days after date and discount it in some bank and then pay the importing firms after 30 days or 60 days?

A.—It is a good system if adopted.

Q.—Now there are transactions taking place between Multani merchants in Sowcarpet and their branches or other firms in Bombay. Is it their practice to draw on these branches or friends in Bombay merely for purposes of accommodation? Of course, they may be paid on the due date, but the hundis do not show any commodity as security?

A.—Such things are being done.

Q.—Is such a thing exceptional or is it general?

A.—It is not general.

Q.—The man on whom such accommodation hundis are drawn also draws on the man who draws the first accommodation hundi. Is there such cross firing going on?

A.—Yes. In the case of Nattukottai merchants it is generally going on.

Q.—How do you know that?

A.—Because I deal with them.

Q.—Have you known any instances?

A.—So many of them.

Q.—You spoke of railway receipts as titles to property. Are there any handicaps in accepting these railway receipts as titles to property?

A.—Sometimes difficulty arises when frauds are committed.

Q.—Do you think there are handicaps?

A.—If the party who gives you the receipts is good then you can safely accept it.

Q.—What I say is there are the risk note forms. Are these risk note forms prejudicial to railway receipts being taken as titles to property?

A.—It is somewhat prejudicial, but we have to consider that if there is no risk note form then the freight will be much higher.

Q.—Can you suggest any remedy for that?

A.—Stealing in railway compounds must be stopped by means of better supervision and guarding. Formerly when merchants complained of shortage or fraud or damage the railway officials used to come to their shop at once and inspect the damaged goods and then settled the claims very promptly. But now such things are not being done.

Q.—In certain cases indemnity bonds are taken by the railway company and the goods are delivered to the party without the production of the railway receipt? In such cases have you heard of parties afterwards turning up and claimed the goods?

A.—No.

Q.—Do you approve of a scheme of registration of all bankers with periodical Government supervision and provision for annual compulsory audit?

A.—I do.

Q.—Is it possible to legislate against excessive rates of interest?

A.—I do not advise any legislation to control the rate of interest. All the other rates depend on the Imperial Bank rate and if that is reduced then the other rates also will come down. The Imperial Bank rate now is 7 per cent and their branches in the mufassal charge 9 per cent and the other banks charge 2 per cent more or 11 per cent. So if the Imperial Bank rate is reduced the other rates also will come down.

Q.—Why is this high rate prevailing in this country, is it due to scarcity of money or due to people hoarding their money?

A.—It is the duty of this Committee to find it out.

Q.—Is it due to want of banking facilities?

A.—I cannot say definitely.

Q.—Supposing by competition the rates of interest come down. Do you think that the indigenous bankers and money-lenders who now charge such high rates of interest will divert their funds to other branches of business?

A.—The extent of their business is very small, only $\frac{1}{2}$ or $\frac{1}{3}$ per cent. I think they will reduce their rates also because they will also get money at lesser rates.

Mr. Thomas: You said that it is because the Imperial Bank rate is high that the Marwari charges also a high rate. May I ask what is the Imperial Bank rate? I want the lowest Imperial Bank rate at the slackest time of the year.

A.—It is 4 per cent.

Q.—At that particular time what is the rate of interest that the Marwaris charge?

A.—These Marwaris and Multanis discount hundis and these hundis are not executed by first-class people, nor even by second-class people, but only by the third-class people. There is greater risk there and therefore they charge generally 6 per cent or 8 annas more than the Imperial Bank rate. So if the lowest Imperial Bank rate is 4 per cent then the lowest rate of these Multanis or Marwaris is 10 per cent. They have got an association and it is in that association that they fix the margin.

Q.—What is the reason?

A.—Because they have to undertake great risks. Personally I do not think they are justified in charging such interest.

Q.—But do not they charge a lower rate of interest in the case of the bigger merchants?

A.—Big merchants do not write hundis. They generally open current accounts with the banks.

Q.—Are hundis being dealt with by third-class merchants only?

A.—Yes. The present Imperial Bank rate is 7 per cent, the shroff rate is 6 per cent and the general bazaar rate is 10 annas, but merchants are given at $7\frac{1}{2}$ per cent.

Q.—What is their rate of interest to the ordinary merchants who have tolerably good securities to offer?

A.—That will be about 14 annas.

Q.—Is it not necessary to reduce that rate of interest if they are to prosper and sell their goods at reasonable prices?

A.—I think that is quite necessary and it will greatly help business.

Q.—What suggestions would you make towards that end?

A.—The Imperial Bank rate must be reduced.

Q.—But the Imperial Bank rate is fixed generally according to the demand and supply for money at the time. Assuming that the bank rate remains as it does, would it not be possible to reduce the bazaar rate to a lower figure?

A.—I do not think it is possible.

Q.—Do you not think that the system of creating and discounting proper commercial bills will help to reduce the bazaar rate?

A.—Yes. It may certainly reduce it.

Q.—What distinction is there between the dealings of the three classes of bankers, Multanis, Marwaris and Nattukottai Chettis?

A.—The Multanis are generally ryots who do business in money out of their own capital. The Marwaris, as I understand them, come from Guzerat or Marwar. They do not command any credit here, but get credit from their own Marwaris either in Guzerat or big Marwaris here at a less rate of interest and they do discounting business also.

Q.—At what rate do the Marwaris get their loan?

A.—I think it is at 6 per cent.

Q.—Do they take any deposits here?

A.—They do not take any deposit at all. Their money chiefly comes from Bombay and they only lend here. In regard to Chettis I am not familiar with them.

Q.—Can you tell me how it is that the Multanis are in a position to get money on better terms from the Imperial Bank than the Marwaris and Chettis?

A.—The Marwaris do not get money from the Imperial Bank. They get money from Marwar and Bombay and have no necessity to go over to the Imperial Bank. The Multanis, on the other hand, have great dealings in villages and it might be for this reason that they are given more facilities from the Imperial Bank. But I know of certain cases where foolish Multanis spoil their business owing to indiscriminate transactions and this tends the merchants to make mischief.

Q.—Have many Multanis failed by such transactions?

A.—Many have suffered very heavy loss.

Q.—To what class of people do the Multanis and the Marwaris generally lend?

A.—To all classes of people—To yarn merchants, piecegoods merchants and various other kinds of merchants.

Q.—Do both of them lend to the same class of people?

A.—Yes, to the same class of people.

Q.—On what security do they lend?

A.—They do not demand any securities generally, but if the party is poor they will ask for some security.

Q.—You say that the Multanis deal in hundis while the Marwaris do not?

A.—Yes.

Q.—On what terms do you purchase your goods from the mills?

A.—On cash terms only.

Q.—Are you not getting your goods on credit also?

A.—Some mills give on credit also. But the Bombay Mills give only on cash.

Q.—Have you any dealings with Messrs. Binny & Co.? Do you know how they deal?

A.—No. But I understand that they also demand cash payments before delivery.

Q.—Do they make use of the bills of exchange?

A.—No.

Q.—How do you deal with your customers? Do you sell your goods on cash?

A.—Most of our business is carried on in credit. We generally give 30 days' credit.

Q.—What is the kind of document you obtain from your buyers in that case?

A.—We do not insist on any documents. They simply sign our books.

Q.—When there are defaults in repayment, what do you do?

A.—We charge interest afterwards.

Q.—Up to what period do you thus go on?

A.—From one month up to a period of three months?

Q.—Suppose they do not pay even after three months, what do you do then?

A.—That depends on the stability of the merchants. We must either stop business with them or go to court.

Q.—Do you insist on any pro-notes from them?

A.—No. We only go to court in extreme cases.

Q.—Can you tell me the number of such cases you had during the last five years?

A.—There have been very few cases during these five years—I think it might be about one or two.

Q.—In regard to your money-lending business, do you lend only to your own customers or to others also?

A.—We do that business with others also—for instance, yarn merchants, and various other sundry merchants.

Q.—Do you also lend to other Marwaris?

A.—Yes.

Q.—Do you receive any deposits?

A.—No.

Q.—How long have you been doing business in Madras?

A.—For the last 30 years.

Q.—You spoke of some of these petty Marwaris who give small loans to ordinary people on exorbitant rates. What is the exact rate of interest they charge?

A.—I think they charge about 25 per cent.

Q.—How many of them are there in Madras? Are there a large number doing such business?

A.—They are only very few. In a community of about 5,000 Marwari money-lenders, the petty dealers will only be between 50 to 100.

Q.—What proportion of "Marwaris" come from Guzerat?

A.—I cannot say; their percentage will be very few.

Mr. Hameed Sultan Marakkayar: Do you experience any difficulty in realising the money from the mufassal merchants?

A.—Generally we have a good deal of difficulties.

Q.—Out of how many men do you find it difficult to realise?

A.—About 50 per cent.

Q.—Do you generally go to court in the case of these people?

A.—No. We send our own men to collect from them.

Q.—You have therefore no necessity to go to court very often?

A.—Yes.

Q.—Do you find much difficulty in collecting local loans?

A.—If the party is not satisfactory, there are great difficulties. We do not sometimes realise our money in full.

Q.—Is there any great delay in the disposal of cases in court?

A.—Generally in Small Causes Court, there is not much delay as in the High Court in the disposal of cases. But in the High Court there are abnormal delays. Delays of about one year are not also infrequent.

Q.—Have you experienced any difficulties in the execution of decrees?

A.—Yes, the difficulties are great. There are various processes where difficulties are experienced. In the first place, the expenses are very heavy. Court-fee must be reduced by at least Rs. 25 to the existing scheduled rate and vakil's fee may be reduced to Rs. 5 instead of Rs. 7 which is now existing.

Q.—What suggestions would you make to minimise these difficulties?

A.—It is the order of the High Court, where we have nothing to suggest. But I may state that the difficulties in regard to the execution of decrees in foreign countries are greater and I wish the Committee to tackle that question up seriously. We have suffered very heavy loss thereby. About eight years back a suit was filed in the Madras High Court against us by a Japanese firm through an agent at Madras and we counter-claimed against them through our own people. A good deal of expenses by way of court-fees, lawyers' fees, etc., have been incurred. The case dragged on for about eight years. Finally a decree was passed in our favour on our counter-claim against the Japanese firm for about Rs. 20,000. The decree had to be sent through either the Chartered Bank or the P. & O. Bank for collection. But the bank returned the decree saying that the matter was under dispute and the amount has yet to be realised. Such difficulties are very common in dealing with the foreign firms and it is my earnest request that the Committee may find out some way to avert these difficulties. I suggest the following: The British banks may be advised not to have any dealings with a foreign constituent who is legally indebted to any British subject, in which case the said foreign merchant will be inclined to pay the debt.

(The witness then withdrew.)

Saturday, 25th January 1930.

MADRAS.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. H. F. P. HEARSON, M.L.C.

M.R. By. Diwan Bahadur P. C. N. ETHIRAJULU
NAYUDU Garu, Madras.

Oral evidence

The Chairman: Are you carrying on business in the Guntur district?

A.—Yes, I was in the Guntur district.

Q.—What is the nature of your business?

A.—Purchase and export of tobacco.

Q.—What kind of tobacco?

A.—Cigarette tobacco.

Q.—Where is that grown?

A.—In the Guntur district.

Q.—Do you finance it in any way?

A.—To some extent we advance money to the ryots.

Q.—For what purpose?

A.—For cultivation expenses. The only thing we expect is the moral obligation to sell the produce through us.

Q.—For what consideration are they to sell it to you?

A.—At the market rate.

Q.—You finance them on that condition?

A.—Yes.

Q.—What about seed?

A.—Sometimes seedlings also we supply. First of all I must tell you that I was connected with the original Peninsular Tobacco Company which was subsequently styled as the Indian Leaf Tobacco Development Company. I was connected with them as a dubash or broker securing for them all their requirements of tobacco. That is how I got into the trade and it is now some time since I left that connexion and we are now doing business separately, we meaning myself and my brother-in-law. We were partners and he was doing the business more or less solely whereas I withdraw from the business having entered into politics.

Mr. Hearson: Do you ship to the Continent?

A.—Yes, now we ship to the Continent having ceased connexion with the Indian Leaf Tobacco Company.

The Chairman: So to some extent you supply seed and to some extent cash to the ryots and take their produce from them?

A.—Yes.

Q.—Do you charge them interest?

A.—Yes, but we never charge more than 12 per cent.

Q.—Do you deal in any particular area or with the ryots generally?

A.—Our operations are concentrated in two portions of the district, Guntur taluk and Bapatala taluk.

Q.—Am I right in saying that the Imperial Tobacco Company are doing the same sort of thing?

A.—As I told you we had started business when they came and they took us in as brokers, they were new to the district and we, being already known there, were able to secure for them all their requirements. When they first came there was not the special variety of tobacco which is now grown. There was only the country tobacco, which they were purchasing for manufacturing 'Ruler', 'Akbar Shah', and 'Watch' cigarettes. They knew only ordinary curing and bulking process. Gradually we have educated them and now the ryots are far advanced and know much better to cure their tobacco. Consequently they are much better off than they were 20 years ago, since their tobacco fetches them much more than before.

Q.—Are you dealing in the same grade of tobacco as is grown in Chirala?

A.—Yes. But I may tell you that nothing is grown at Chirala itself. Chirala was fixed up because of the railway station there. That place is the office centre.

Q.—Am I right in saying that the seeds of this tobacco has to be imported every year?

A.—Sometimes. Seeds last even for a couple of years.

Q.—Cannot these seeds be produced locally?

A.—For country tobacco the ryot obtains the seed here itself. As for the best cigarette tobacco it is difficult to get the right seeds from the locally grown plants. It deteriorates.

Q.—Have the ryots themselves got any organization by which they could procure their own seeds?

A.—No.

Q.—Is there anybody else in this business besides yourself?

A.—Since the last five or six years about two dozen people have started the business of exporting tobacco to the continent.

Q.—Do each of these people obtain the seed every year for distribution to the ryots?

A.—Not all, only some of them.

Q.—And the others obtain the seeds from these?

A.—Yes.

Q.—If those people drop out would the ryots have difficulty in obtaining seed?

A.—Now the Indian Leaf Tobacco Development Company have extended their activities to a great extent and are supplying seeds for about 10 to 15 thousand acres in the Bapatla and Guntur taluks.

Q.—Can you tell us what is the value of the land where tobacco is cultivated?

A.—About 15 or 20 years ago such land fetched a price of not more than 100 rupees. Now the price of such land has gone up to more than Rs. 250.

Q.—Can you tell us what would be the value of the crop per acre?

A.—When we got into the trade there was no demand at all for the cigarette tobacco. Generally such kind of tobacco was left in the fields to be grazed by sheep and goats. We were purchasing such tobacco from Rs. 10 to Rs. 20 per candy of 50 lb. The ryots were thus able to get something. That variety of tobacco which was largely cultivated by the ryots was purchased by local merchants of the Madras Presidency and the Central Provinces not only for chewing but more for making cheroots. That variety fetched a price of Rs. 60 to Rs. 80 and sometimes even more per candy. Now the ryots have given up the country variety and taken up to the cigarette variety which fetches for them a higher price as well as a readier sale. When we started this tobacco business, a candy of tobacco cost us Rs. 50 but the price now has gone to Rs. 150 to Rs. 200 according to the quality per candy of 500 lbs.

Q.—What would be the yield per acre?

A.—The yield would be about 1,000 lbs., ordinary variety.

Q.—What is the cost of cultivation?

A.—Not so much of water is required for this cultivation in my district. The ryots begin transplanting operations in November just, the dew falls later on and helps the growth of the plant a great deal.

Q.—So after the ryots have taken to this sort of cultivation their income is materially increased?

A.—Yes. But the labour and other charges have also increased.

Q.—But the value of land has increased, and therefore the income, to three or four times and the other costs have not gone up in proportion?

A.—It has equally gone up because this kind of tobacco requires particular treatment, costing them much labour and money.

Q.—But the profit has also gone up?

A.—Yes.

Q.—Are these ryots who take money from you much indebted to you? Have you got much capital out?

A.—Not much. We have put in nearly three to four lakhs of rupees in the trade.

Q.—What is that sunk in?

A.—Particularly for purchasing purposes. We do not advance much money, only to the extent of about Rs. 25,000 during the season.

Q.—Is a large proportion of this repaid to you?

A.—When we purchase the tobacco we adjust the advance automatically. Only the amounts of such ryots who are unable to pay stand till the next crop.

Q.—Are there many such who are unable to pay?

A.—I should think not. Most of them settle their accounts, when they close their accounts. I can say there is hardly 5 per cent outstandings.

Q.—So far as the ryot is concerned that remains then a permanent debt?

A.—They discharge it. How can it be permanent?

Q.—Anyhow they have to borrow a further amount for cultivating the next crop?

A.—Not necessarily.

Q.—What has not been paid remains until the next crop. Is that not so?

A.—The balance is carried forward to the next season when it will be paid and settled.

Q.—If you refuse to give advances what will happen?

A.—Some other man will advance money.

Q.—And if somebody else advances money will it be possible for you to do any business?

A.—We will. We will be able to get even then their crops.

Q.—If somebody else advances money to them would it not be on the same conditions that the crop is sold to them?

A.—Those are merely money-lenders. They do not buy tobacco. Interest on capital advanced is their only concern.

Q.—But the ordinary village money-lender buys the produce?

A.—They generally take a commission on the sales only. They do advance money for various purposes but do not buy the crop. Even when we purchase it they get their commission.

Q.—Even if you do not advance money you say you will still be able to carry on your business?

A.—We are big purchasers for ready cash and they must come to us if they want to sell their crop for ready cash.

Q.—Then why is it necessary for you to advance money?

A.—Just to help our customers. We have dealings with them and they come to us and say 'just help us with some money and it will be adjusted when we sell the crop' and we advance them money.

Q.—In one statement which was received the following allegation was made. (*Head out by the Chairman.*) Is that a fair statement?

A.—In the case of tobacco it is somewhat true. The agriculturist harvests the plant, the ripe and the unripe together and brings it to the market after bulking and curing it. The buyer, i.e., the exporter examines the leaf. He finds no two leaves alike in size, colour or quality; it is an admixture of different grades of tobacco leaves. He quotes his prices say Rs. 120 for the best variety but cannot give that price for the whole lot as it is not graded properly. Hence he reduces the price proportionately and gives on the average only Rs. 80 to the ryot. If the tobacco had been graded properly he would have been able to quote for each quality separately and thus get the maximum price for that quality. Another great difficulty is that on the average about 5,000 bales come every morning that means about 800 to 1,000 carts, and it is not possible to avoid that inconvenience of allowing the carts to wait.

Mr. Hearson: A bale is how many pounds?

A.—On the average it can be taken as 250 lbs. or half a candy. They carry about six to eight bales in a cart and when they bring it they put it down on the ground. A few bundles are opened up by removing a few ropes from one side and then the buyer examines the tobacco inside. In this way he cannot examine it minutely. He offers say Rs. 120 for the 1st class but for the bale as a whole he can give on the average only Rs. 80 for it contains different varieties. After purchasing the merchant has to regrade it before export.

The Chairman: So this statement of having the ryots under their thumb and keeping them waiting for a long time is not a just statement?

A.—The statement is correct but the motive attributed to, it appears to me to be wrong. Five thousand to 6,000 bales mean about 200 men will be coming and dealing with each man separately means, even though you work quickly, time. If we start work at 7 o'clock in the morning before we finish examination, it is 1 o'clock in the noon. Afterwards it has to be weighed and then price paid which means a lot of time.

The Chairman: Is the price paid materially lower than it was 10 or 15 years ago.

A.—Ten or 15 years ago the variety of tobacco was not grown at all nor purchased.

Q.—With regard to such crops as jowari, maize, chillies, etc., do they pay as much as tobacco?

A.—Chillies pay well but nothing pays so highly as tobacco. For tobacco they get ready cash but in the case of other crops the ryots have to sell them to the commission agent who pays them only a portion of the price and then later on when it is actually sold and cash obtained gives him the balance. That is why the ryots prefer the cultivation of tobacco.

Q.—Is there a bank there?

A.—Yes there are two banks, the Imperial Bank and the Indian Bank.

Q.—But that is at Guntur?

A.—Yes.

Q.—How far is Chirala from Guntur?

A.—By train it is 2½ hours journey. It is about 60 miles away.

Q.—Is there a bank at Chirala or Bapatla?

A.—Now the Imperial Bank has opened an agency there, at Bapatla.

The Chairman: You buy tobacco and export it?

A.—We are exporting directly. We do not sell in India, but there is no tobacco crop grown in Tenali, it being a deltaic tract.

Q.—Do you receive your payments through the exchange banks?

A.—Yes.

Q.—Do you work through a broker?

A.—We sell through our own brokers on the continent, in England and in other parts.

Q.—You yourself buy in the villages?

A.—Yes. We buy, cure and ship it.

- Q.—How much time does it take to realise the value?
- A.—It takes sometimes two years to realise their full value. Suppose we despatch 1,000 bales, 300 bales find a ready market; a month hence another four hundred bales and the other three hundred bales does not find a sale in the foreign market.
- Q.—How long do you keep it in your hands before it is exported?
- A.—We do not keep it long. We take just enough time to cure and wait only for the steamer for shipping.
- Q.—From what ports do you export?
- A.—We sometimes export from Cocanada. When steamers do not touch Cocanada, they are sent to other ports—Madras for instance.
- Q.—Have you any means of realising more quickly the capital sunk in such produce purchased by you?
- A.—A portion of our capital we get within three months. We have bills of lading and we draw 60 per cent on it.
- Q.—Would any system of warehousing be of any use?
- A.—It would be of considerable help if we can store tobacco. It cannot be stored before it is cured. Our greatest danger is water.
- Mr. Hearson: What is the value of tobacco?
- A.—One hundred and fifty rupees per candy.
- Q.—How much you would be lending on that?
- A.—We lend not on the value but on the solvency of a person.
- Q.—Do you not depend upon the crops?
- A.—There is nothing like that. We advance to the persons who are cultivating tobacco but also on other crops as well.
- Q.—What is the average holding of a ryot?
- A.—I take it to be five acres. Very many ryots possess 30 to 40 acres.
- Q.—You suggested that a bale weighs 200 to 250 lbs. and that six to eight bales come in a cart. Nearly about 3,000 carts come to the Guntur market. You buy in the Guntur market?
- A.—Yes, and also in the villages.
- Q.—Is it the central market or do you have a compound?
- A.—We have got our own grounds but the other merchants stick to the road.
- Q.—They come in day by day to you if you buy one day?
- A.—Yes.
- Q.—Do you sell this entirely or do you sell to your Indian businessmen?
- A.—I do not know how they sell it.
- Q.—To which parts you send them?
- A.—Liverpool and Hamburg. Our reports show that it has been sold.
- Q.—Do you give your agents full discretion?
- A.—Practically we have given them full discretion. We have got some confidence in them.
- Q.—When you are shipping, 60 per cent of the value is drawn against the bills of lading? Do you send those bills to the bank?
- A.—We draw it in Guntur.
- Q.—What exchange bank is there in Guntur?
- A.—The only exchange bank is the Imperial Bank.
- Q.—It is not an exchange bank?
- A.—We draw money from the National Bank or other banks.
- Q.—You said that you could not get money until the bills of lading are drawn. Can you not get an advance from the Imperial Bank what you call on key loans?
- A.—We wanted to arrange. I think that they are fully aware of our solvency and position in life, but still they do not advance.
- Q.—What security did you offer them?
- A.—We have got our lands and other properties.
- Q.—The Imperial Bank has to abide by the rules and statutes. They are lending money against goods in godowns. Now they are giving key loans if goods are locked up in godowns and if the keys are handed over to them?
- A.—I think we can adopt it.

Q.—How many bales you ship a year?

A.—Five to ten thousand cured bales.

Q.—What is the value of a bale?

A.—On an average each pound costs something like 6 to 8d. here.

Mr. Gopala Menon: What is the total area under tobacco cultivation in the Guntur district?

A.—I think it will be not less than thirty to forty thousand acres. Perhaps even more; it may be 50,000 acres for cigarette tobacco alone.

Q.—I suppose tobacco is cultivated in the Guntur district to a very great extent and also in other parts of the Northern Circars?

A.—Yes; there are lanka lands in Kistna and Godavari districts where tobacco suitable for cheroots are grown.

Q.—Have not the people in Trichinopoly and Dindigul been also cultivating tobacco?

A.—Since only 20 years they have largely taken to cigarette tobacco cultivation in Guntur district because there is a general demand on the spot.

Q.—Prior to that what were cultivated under these lands?

A.—They were cultivating chillies and tobacco.

Q.—Tobacco was cultivated even as early as that?

A.—Yes; but only tobacco suitable for cheroots and chewing were grown; the lands that were brought under cultivation were not so much as to-day.

Q.—What food crops have been replaced by tobacco? Any paddy land?

A.—No tobacco is grown in the paddy land in the wet land area.

Q.—What are the other dry crops cultivated in the district?

A.—The other dry land product is chilli. Both chillies and tobacco go together.

Q.—Do you think that by the ryots having taken to tobacco cultivation has it in any way affected the growth of foodgrain crops?

A.—To a certain extent javari crop is affected. It is consumed by the lower classes. It is exported to Mahratta districts.

Q.—So you think that the ryots having taken to tobacco cultivation have in any way been affected to their detriment?

A.—I do not think so.

Q.—Do you think foodgrain crops have been affected in any way?

A.—I do not think so.

Q.—Do you say that the ryots have been actually benefited?

A.—I think so.

Q.—Are these ryots cultivating it on their own account or cultivating it on behalf of tobacco companies?

A.—These tobacco companies supply the seedlings. They supply them to raise that particular quality and promise them to purchase their crop themselves at the market rate. Sometimes they purchase also green tobacco before it is being cut and cure. More of the purchasing is done by the Indian Leaf Tobacco Development Company.

Q.—Are there other purchasers in the district?

A.—There are very many purchasers but not on this scale.

Q.—Are there many Indian purchasers who buy tobacco and ship it?

A.—There are nearly 20 people who advance money to the ryots themselves when the crop is under cultivation.

Q.—Do all purchasers advance money?

A.—Only certain number of persons of the district give to particular ryots.

Q.—Perhaps you think that the ryots can cultivate on their own grounds and find a market afterwards?

A.—Fifty per cent of the ryots cultivate on their own grounds but cannot find a market which can give the price they expect. That is the difficulty.

Q.—The difficulty for finding a market is because the tobacco is not prepared for the market on account of adulteration?

A.—The State must take the responsibility to teach the ryots about the proper method of cultivation, curing and drying before tobacco is shipped. With this knowledge they will fare better.

Q.—You say they have been adulterating tobacco for the past 20 years. Do you mean to say that they have not been educated?

A.—The present day variety of cultivation is different and they have gained the knowledge to a certain extent.

Q.—They are not able to obtain full price because they are not able to prepare the right quality of goods for the market?

A.—Yes.

Q.—Are they now taking to sorting and grading at least?

A.—They could not do that owing to so many handicaps.

Q.—What suggestion have you got to make in order to enable the ryot for sorting and marketing and thereby get a better price for his produce?

A.—First of all the ryots must have an elementary knowledge of how to raise tobacco crop in the real quality required for the market. He must have the knowledge of grading it. Tobacco always absorbs and retains a certain amount of moisture which the purchaser is diffident to pay for.

Q.—What is the remedy?

A.—By means of a 'redrying plant, everything would be set right. Even though it may cost a little, say Rs. 2 or Rs. 5 per candy, in the end, it will fetch him five rupees more per candy.

Q.—Do you think that if a tobacco seed farm is started under the auspices of the Agricultural Department would not that be a help to the agriculturist to produce a better class of tobacco? Do you think the initiative should come from the Agricultural Department to open seed farms and also prepare centres for marketing?

A.—Quite so; these two difficulties could be overcome with the help of the Agricultural Department in order that the ryot may get a fairer price than he is now getting.

Q.—Do you think that since the ryots have taken to tobacco cultivation, they have brought more dry area under cultivation than before?

A.—Yes; they have utilized more acreage.

Q.—Do you think that the ryots by taking to tobacco cultivation have in any way improved their material condition as a whole?

A.—I should think so.

Q.—Do you cultivate tobacco in your district for beedi making?

A.—There is no special variety for beedi making. But I can tell you that our refuse is purchased and that it is used for beedi making by some.

Q.—To what parts in the Presidency is the refuse sent?

A.—A considerable quantity is purchased by people coming from Northern India, Hyderabad, Delhi, Kathiawar and Nagpur. A great deal is exported to Northern India.

Q.—Is there any special leaf being prepared in the Guntur district?

A.—I don't think so.

Q.—What sort of tobacco is cultivated in Hyderabad?

A.—I cannot tell you.

Q.—And in Cuddapah?

A.—In Madanapalle; but in Trichinopoly and other districts the tobacco grown is more useful for chewing and cigarette manufacturing purposes.

Q.—Is beedi making rapidly progressing?

A.—I should think so.

Q.—Can it compete with cigarettes?

A.—No.

Q.—Are the cigarette manufacturers trying to introduce a cheaper kind to replace beedi?

A.—I think they are trying.

Q.—Generally people who take to beedi making are mostly lower classes, I presume?

A.—In Northern India and in other places very many respectable people, bankers and Multanis take to beedis more than cigarettes. They do not think it is derogatory to smoke beedi.

Q.—You say that there are two or three big firms who have taken to cigarette making in the Guntur district? Do you not think in the matter of cultivation they are coming in competition with the ryots of the country?

A.—All their capital cannot replace these ryots. Besides they have not purchased lands to any large extent to compete with the ryots.

Q.—You say that business in tobacco is done on consignments. How is this consignment business done and who are doing it?

A.—Besides us, some of our clerks are also doing business, so much so that the market is spoiled.

Q.—Can they afford to wait for a long time?

A.—They have to borrow money elsewhere and go on with the business.

Q.—At what rate do they borrow money?

A.—It may not be more than 12 per cent, I think.

Q.—What would be the profit for the consignee?

A.—The consignee would be able to make a profit of 10 per cent deducting all expenses.

Q.—You say cigar is also manufactured with other kinds of tobacco?

A.—Not marketable commodity; they make their own cheroots with that. They raise it on a different kind of soil called 'patimatti'.

Q.—So it is not used for making cigars as in Trichinopoly?

A.—It is used only for fillers.

Mr. Gopala Menon: So it is not made use of for making cigars like Trichinopoly?

A.—Some of the tobacco is only used for keeping inside the cigar called fillers and the wrapper is imported tobacco from Java and Sumatra.

Q.—Do you send this tobacco to Madras or any other place for the manufacture of cigars?

A.—It is only a small quantity, if at all, that will be sent. But more is being used for chewing purpose.

Q.—So the tobacco that is grown in the Dindigul district is of a much superior quality than that grown in the Guntur district?

A.—Not much. One quality is for manufacturing cigarettes. That is grown in Guntur and the other grown in Dindigul is for making cigars.

Q.—The two are not coming into competition?

A.—Not at all.

Q.—Is there any tobacco grown in Dindigul for making cigarettes?

A.—No.

Q.—Do you know from where they get the leaves for the manufacture of cigars in Trichinopoly and Dindigul?

A.—They import wrappers from Java and Sumatra.

Q.—Do they import much Holland tobacco?

A.—Yes. That is the tobacco from Java, etc.

Q.—I find from the import list that the tobacco leaves are coming from Amsterdam. I wish to know whether Java tobacco is sent to Amsterdam and from there re-shipped to Madras and is brought to Dindigul or whether it comes direct to Dindigul from Java?

A.—I think it comes from Amsterdam Port.

Q.—How long will this tobacco remain in the hot climate of our country?

A.—I think it remains for two or three years if put in barrels and properly sealed.

Q.—But they are packed in bales and in casks. Is that not so?

A.—But that is as far as transshipment is concerned. But once they get it in the godowns, they open the bales and preserve the tobacco in barrels.

Q.—But does that not relate only in the case of the merchants?

A.—Yes.

Q.—How long will it remain if kept in the godowns without putting the tobacco in casks?

A.—I cannot tell you.

Q.—Do you think that the tobacco that is being shipped from Guntur will remain without any deterioration in the foreign countries for more than a year?

A.—Once it has been cured here, dried by passing it through the re-drying plant and allowed only that much quantity of moisture that it should have, then it can remain without any deterioration in the foreign country for a long time, even three or four years.

Q.—Had you ever any complaint with regard to the deterioration by means of insects or other causes, say mildew in the unsold state while they remain in the hands of the dealers for more than a year and thus lost money?

A.—There have been complaints, because tobacco which has been cured by hand does deteriorate as it retains a lot of moisture, etc.

Q.—This defect could be remedied if the tobacco had been prepared for the market, as for instance by passing it through the re-drying plant?

A.—You must not allow too much of moisture for that allows heat to get in and that burns the tobacco. Again the weight will be greater on account of the moisture it retains and you will have to pay not only more for freight but also for duty in England. I think 25 to 30 per cent of every bale will contain moisture.

Mr. Thomas: Do you have direct dealings with the ryots who grow tobacco?

A.—Yes.

Q.—You don't deal with the local shop-keepers?

A.—We have our own establishment.

Q.—Do you lend money directly to the ryots?

A.—Money-lending there is only a side affair.

Q.—What is the business of the local money-lenders or shop-keepers?

A.—Money-lenders are not tobacco merchants.

Q.—You do not at all have anything to do with the local village shop-keepers?

A.—We purchase direct from the village ryots. We go and examine the various bulks, select the quality suitable for us, bargain with the ryots, settle the price and we pay the money immediately. In some cases when the ryots bring the tobacco the next day we pay the amount on receipt of the tobacco bales.

Q.—Do you at all buy from the local shop-keepers?

A.—We do not generally buy from them. It is only very occasionally that we do that.

Q.—What is the function of the local shop-keepers?

A.—He is a commission agent.

Q.—To whom is he a commission agent?

A.—To most of these ryots.

Q.—To whom does he sell?

A.—Anybody can go and purchase it from him, especially those who go from outside the district purchase tobacco from them.

Q.—Do they not sell to the tobacco exporting firms?

A.—The ordinary tobacco is not suitable for export.

Q.—So the local agent keeps the country tobacco and not the cigarette tobacco?

A.—In the good old days when the European firms were not there, the local commission agents were everything and they were making heaps of money. The ryots then were taking advances from these local commission agents on the understanding that they would bring all their crop to them who will then have it stored in their godowns for some time till it is sold when they will after taking the interest and godown charges and commission give the balance of sale proceeds to the ryots. So in those days the ryots were getting very little, for a great portion of their tobacco is left behind unsold and generally never finds a sale at all. But now there are the European firms and they get a ready sale for their tobacco.

Q.—Do the ryots bring the tobacco to your godowns?

A.—Yes.

Q.—Do you know much about the conditions of the ryots themselves, their holdings, and so on?

A.—The major portion of the cultivators are poor people.

Q.—What is the average size of their holdings?

A.—The average is five acres. The husband and the wife work on the land but they do not improve it. Tobacco especially deteriorates the land very much.

Q.—What is the cost of production of tobacco per acre of land?

A.—The least that will be required is Rs. 60.

Q.—Did you say that one acre produces about a thousand pounds?

A.—Yes.

Q.—What will be the price of that? Will it be Rs. 200?

A.—You will get that amount only if you are able to raise that particular quality. But I am talking of the ordinary country variety sold from Rs. 60 to Rs. 80 per candy, that is, you can get about Rs. 160 to Rs. 180.

Q.—So the ryot makes about Rs. 90 per acre?

A.—Rs. 80 he can make but you must make allowances for his own labour and that of his wife.

Q.—You assume that the work is entirely done by himself and his family?

A.—Yes, mostly.

Q.—What will he get if he engages labourers?

A.—You will have to reduce that amount by Rs. 20 or Rs. 25.

Q.—Will you please specify the various items on which this amount has to be spent?

A.—He must prepare the land just before the monsoon. Sometimes they burn and sometimes they rake the ground and expose it to the sun. The second thing is to level the ground. Transplantation is the first process. For one acre it will require about four people for three days and the cost of their labour will be about Rs. 6. Watering is required for a week or ten days and two people are required for that purpose. Then comes topping which will cost about Rs. 2 or Rs. 3 per acre. Harvesting requires at least 10 coolies and they will cost Rs. 5 per acre. Then comes the stringing, that is, they must buy, twine and stitch the leaves together and then carry to the nearest shed for sun-drying and airing. All these put together will cost nearly Rs. 20 to Rs. 25.

Q.—May I ask you if it is possible to have curing and grading done in his own village?

A.—That is rather a difficult thing. There will be the difficulty about the space required for attending to this work. There is also the want of knowledge on the part of the ryot. He should be taught to pick and choose the right leaf.

Q.—Has not the Agricultural Department taken up the matter?

A.—No.

Q.—To what extent have the co-operative societies helped the ryots?

A.—I am not in a position to tell you anything about the co-operative Department.

Q.—Do you not think this is a matter in which the co-operative societies could help a good deal?

A.—I do not know what help they can give about curing and grading but they can advance money to the ryots. I should think that it is a matter more for the Agricultural Department.

Q.—So the price depends on the curing and grading?

A.—If the new methods are adopted in regard to curing and other things, you will be able to get better prices.

Q.—You want the Departments of Agriculture and Co-operation to help in the matter?

A.—Yes.

The Chairman: Are experts employed in the various firms?

A.—There is only one expert for the whole of my district—Guntur.

Q.—Is he an expert on the growing of tobacco?

A.—Yes. In raising seedlings, growing, curing, etc. But there is only one I find employed by the I.L.T.D. Co., Ltd. at Guntur.

Q.—For making a good profit there should be grading, is it not?

A.—Yes. The expert should do it.

Q.—Where is the expert?

A.—The expert is not there but there should be one to attend to the grading work.

Q.—Where can the co-operative societies get them?

A.—They must be trained by the Agricultural Department. In the Pusa Agricultural farm there is an expert. I have seen some of their bulletins and if one or two they have given splendid information. Some of our men should be sent to Pusa for training and then come back.

What I want the Agricultural Department to do is to help in the matter of raising the particular quality of tobacco for cigarette. The first thing is the colour. Colour can be got by certain processes of manuring and curing. Manuring helps the burning quality of tobacco. Potash manure helps, for instance the burning quality. Colour can be got merely by curing at a certain stage. Only ripe tobacco leaves should be picked up, and exposed to the sun and air for a certain time. All this helps you in getting the right colour. The next thing is the burning quality. As I have said already that is helped by the use of proper manure as for instance potash. These things our ryots do not know. They simply cultivate the land and sow the seedlings. Naturally there is no good burning quality nor is there any colour or good flavour.

Mr. Thomas: Can you tell me whether it would pay if the ryots are taught how to do all these?

A.—It is a matter of demonstration and the ryots will take to that. Then certainly it would be very paying to them. They should be taught what to do, how to get the particular quality, that is a quality coupled with colour, burning quality and flavour. Then they will certainly be able to get a better price and be much better off.

Q.—How do you get your advances on the bills of lading? Do you find any difficulty in the matter?

A.—There is considerable difficulty so far as money matter is concerned. Generally there is a reluctance to advance money on the part of the indigenous bankers.

Q.—Do you deal with the exchange banks?

A.—Yes. The facility for the local ryot is that he can approach the local banker or Marwari or any other individual and get advance without much of trouble because the local banker only looks at the status of the man and the rate of interest and also he is prepared to risk something, whereas the exchange banks have got certain rules and certain restrictions and unless they are satisfied they cannot advance. That is a great handicap to the ryots. Also there are no exchange banks in the mufassal. It is only in Madras, Bombay and Calcutta that you have got the exchange banks.

Q.—If the other tobacco merchants are able to get capital easily, why not you?

A.—The bigger firms, like the Indian Leaf Tobacco Company, have got their own capital and they arrange with their London office to keep several lakhs of rupees always to their credit. They have got their own capital in England?

Q.—Can't you raise your capital locally?

A.—Not from these banks. We can raise only locally.

Q.—Why do you not go in for key loans from the Imperial Bank?

A.—I do not think that they advance because we have no godowns.

Q.—Have you no godowns?

A.—Like other produce it is not safe to stock tobacco. Tobacco is a risky thing to keep. As it is now, the tobacco from the ryots is liable to deterioration in quality if it is allowed to remain even for a year. The banker will only advance on such tobacco Rs. 30 per candy for a quantity which will fetch Rs. 100. This amount will surely not help the ryot much. The risk which the banker undertakes is great and he therefore will not advance more than Rs. 30, because the ryot does not know how to cure the tobacco, it may develop mildew, and then it may burn up and thus there is much deterioration in quality and also in value if it is kept for a long time.

Q.—Can't you give collateral securities?

A.—We can give. But what collateral security can the ryot give? He has got only his land to be given as security.

Q.—But with regard to drawing money, how do you manage it?

A.—I raise credit by means of what I own by way of houses and land.

Q.—You say that there are only a few buyers of tobacco?

A.—So far as export to England is concerned, there are only very few.

Q.—By that reason do the ryots suffer?

A.—I do not think they suffer on that account, because the quality of tobacco cultivated by them is such that it is largely purchased by the exporting firm.

Q.—Which firm is that?

A.—I.L.T.D. Company.

Q.—Is there not the Imperial Tobacco Company?

A.—I understand they are all one under one management though they are given different names. They are trading in different centres and each has got its own part of the work to attend to. The I.L.T.D. Company is interested only in cultivating and securing the leaf. They supply the leaf to the Peninsular Tobacco Company who attend to the manufacture of cigarettes and the British American Tobacco Company actually sells the cigarettes manufactured by the Peninsular Tobacco Company and each shows the profit under that part of the business. All these companies are under Board of Directors interested in one another.

Q.—Can't you buy as they do?

A.—I am not even a thousandth part of the I.L.T.D. Company who can corner several thousands like me in the market. I am only a poor purchaser and my purchasing capacity is very very small compared to the purchasing capacity of the I.L.T.D. Company who can purchase for even a crore of rupees if they want.

Q.—The cultivating ryot is to a certain extent dependant to the biggest purchaser and therefore if the biggest purchaser restrict his purchase, the ryot will suffer; is it not so?

A.—Yes.

Q.—Do you know of any method by which that difficulty could be avoided?

A.—I think, if there is competition it will be better for the ryot.

The Chairman: Is there anything to prevent the ryot from growing on his land any crop that he wants?

A.—There is no other commodity that will fetch a ready cash sale as tobacco. But some of the ryots of late are finding difficulty, because the firms who have been giving good prices before are now cutting off their prices. They have therefore taken to groundnut. The groundnuts for the first two or three years were paying very nicely but now their price also has fallen.

Q.—The ryot could grow anything else? If the price of groundnut goes down he could grow tobacco. If the price of tobacco goes down, he could grow something else. Is that not so?

A.—Yes. Chillies he could grow. That is a commodity which is supplied by the Guntur district to the whole of India.

Mr. Thomas: Who distributes the seed? Is it the Company?

A.—Yes.

Q.—Do you think that the company is distributing more seed than could readily be profitably sown?

A.—They are only supplying a limited quantity and they do not supply more than will meet their requirements. It is because if they give more seeds the ryots might sell their produce to others.

Q.—Are all those who take the seeds in a position to find a ready sale for the whole quantity that they are able to produce?

A.—Yes.

Q.—There is no difficulty about that?

A.—The difficulty may not be much but there is some difficulty.

Q.—The Chairman read to you a passage from a memorandum in which it is stated that the ryots put to inconvenience in marketing tobacco. Is it true?

A.—They must also stand to some inconvenience. Suppose five of us are the buyers and the seller comes in the morning to one of us. The quantity he wants to sell must be dumped on the ground first and allow it to be examined and after getting the lots sold get the amount. All this means time.

Q.—Why are they complaining?

A.—I do not think that there is any meaning in their complaint.

Q.—Can't we find means of avoiding that?

A.—You have perhaps no idea of the difficulty. If a thousand bundles have to be examined, where is the space to part your 150 carts which will be required to carry them. Again, for dumping a great deal of space is required for opening and examining each bundle because it is not a question of merely taking the bundles and weighing them and paying the money.

Mr. Thomas: Don't you think that co-operative societies can organize this business?

A.—I do not think it is possible. You must have big depots. You must also have big open space for passing the tobacco and must have a re-drying plant. It is not possible for the co-operative societies to arrange all these to organize the business.

Q.—Suppose co-operative societies have their own godowns and all the appliances needed? Will it not be possible for them to run the business?

A.—It is not a question of having godowns only. Ever so many other factors also are necessary. There must be sufficient open space to examine all the tobacco. Suppose about 60 carts carrying bales of tobacco have come. These must be examined and unless you have large open space for these carts to stand and dump in these bales, you cannot inspect the goods thoroughly. The whole business, in fact, is of a highly complicated nature and I do not think that it is possible for any co-operative institution to organize this business.

Q.—Then, how do they manage in the matter of groundnut?

A.—As for groundnut it is a different matter. First it only occupies a small space. It is put in ordinary gunny bags and no large space is required for it at all and no need to examine it as it is done in the case of tobacco and moreover the bags can be piled one upon another.

Q.—You know that co-operative societies undertake cotton marketing; and cotton takes up a good deal of room.

A.—There is much difference between cotton and tobacco. When a cotton bale is thrown down you have not got much wastage. In the case of tobacco it is not so. You have got the butts which very often crumble and fall to the ground when the tobacco bales are rudely thrown down and examined and the ryots are very careful about these butts, because it adds to the weight and gives a few annas more for them.

Q.—It is all due to want of organization, is it not?

A.—Everything depends upon organization and an efficient organization makes any undertaking a success.

Q.—Are not co-operative societies the best agencies for such organization?

A.—As I have already said, it is not possible for co-operative societies to arrange and help this business. The whole process is difficult and requires expert knowledge and experience. From my own practical experience, I am of opinion that no public organization can undertake to organize and help a trade of this nature.

(The witness then withdrew.)

Saturday, 25th January 1930.

MADRAS.

PRESENT

Mr. H. M. HOOD, I.C.S., (Chairman).

Mr. P. J. THOMAS, M.A., B. LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. H. F. P. HEARSON, M.L.C.

M.R.Ry. SAMI VENKATACHALAM CHETTI Avargal.

Oral evidence.

The Chairman: You are chiefly dealing in chillies?

A.—Yes, and also in grains and other produce, etc.

Q.—What is the nature of your business?

A.—We are commission agents.

Q.—Do you buy direct from ryots?

A.—Sometimes we do, but mostly through commission agents.

Q.—Are you doing business in Madras or have got branches in the up-country?

A.—In Madras only. I have no branches elsewhere.

Q.—How does the produce reach you?

A.—The ryot in the mufassal sells his produce to the commission agent and the commission agent exports the goods to Madras for the purpose of sale. We sell sometimes to local merchants and sometimes to exporters. We take our commission and sometimes advance money upon the goods we receive; otherwise we send the account sales on the balance of money that is due to him.

Q.—To whom do you sell the goods?

A.—To the retail dealers in Madras and to the commission agents who appear on behalf of mufassal consumers.

Q.—Your business, I suppose, includes little or no export trade?

A.—Yes. Our business is one of purchase and redistribution.

Q.—How do you finance your business?

A.—We generally advance about 75 to 80 per cent of the market price of goods to the commission agents who send us the goods. Sometimes the ryots themselves send us their produce directly.

Q.—What is your security?

A.—The goods themselves are our security.

Q.—How do you get back your money?

A.—By selling the goods to the retail dealers and to any purchasers here. In this way we recover our money slowly. We sell mostly on credit.

Q.—Then you take the risk?

A.—Yes, we do. As soon as the goods are sold, we remit the balance amount to the owner of the goods.

Q.—How do you remit the money?

A.—Sometimes by payments on hundis drawn against and sometimes by insured post.

Q.—Do you receive payments also in the same way?

A.—No. We send our own men to each of these bazaars for collection daily and sometimes weekly.

Q.—Do you get bills for discount?

A.—No, we do not deal in bills. In the first place the amount will be too small for the purpose of discounting bills and in cases where large amounts are involved, the merchants will be unwilling to have their bills discounted, and moreover they do not make payments promptly on the due date.

Q.—By investing big sums on goods and selling them in retail on credit do you not tie up a large capital? If you could evolve a system of credit by bills or some such form, would it not enable you to enlarge your business?

A.—If the bills of whatever value they make are accepted by the banks and monies advanced on them, both on the security of the persons who discount the bills and against whom they are discounted, they will certainly facilitate our business, but payment ought not to be pressed on the due date.

Q.—Why?

A.—Because it would be a great difficulty to the merchants.

Q.—But would it not be more difficult for them to repay the whole amount all at once at some future time, if you do not press them on the due date and allow them to grow slacker and slacker?

A.—If we press, it will result in this. A number of people who are now trading will disappear.

Q.—Do you think that it is a bad thing?

A.—It may not be a bad thing in one sense, but it will be bad in another sense, because the competition will be restricted.

Q.—Then would not your business be more effective then?

A.—Yes, but it will prove a great hardship to the traders.

Q.—Don't you think that non-payment on the due date is merely due to the slackness of the merchants?

A.—I should think that the merchants themselves experience difficulties in their turn.

Q.—But I would suggest that a great deal of non-payment on the due date which is a marked feature of retail trade here is very largely due to slackness?

A.—Then in that case you will set a premium upon such merchants who can command good capital, because in such cases they will finance the whole trade without discounting the bills. The retail dealers will naturally feel disinclined to enter into competition with the big merchants; and if they have not money readily on hand and if they are insisted on to pay on the due date, they will naturally disappear from the business, whereas a big merchant who has a large amount of fluid capital allows credit for a long time and increases his business.

Q.—My point is that by not insisting on your retail dealers paying promptly on the due date, on the ground that it would cause difficulties, don't you think that you encourage them to greater slackness?

A.—Not exactly so, but there are some people who with a view to evade interest merely put off payment, though they may have the money and though they can pay promptly. In those cases, insistence is quite necessary, but in most other cases it will be something like the Sword of Damocles with regard to these bills. When they think that they have got to pay the next day, though they have all the means to pay, the very feeling that they must pay at any cost put them in somewhat a great inconvenient position.

Moreover, supposing a merchant has got Rs. 5,000 on hand on a particular day and if there is some tempting business on that day by which he could earn some more profit, the feeling that he should meet the bill on the due date will act as a serious handicap to the development of his business. This to my mind appears to be the difficulty in the way of introducing any kind of bill system.

Q.—But don't you agree that the failure on their part to meet the bills on the due date under the feeling that they could not pay is a more serious handicap to the development of your business and that it would result in a reduction of credit?

A.—Yes, but it is not always the case. There are a number of retail merchants who might find it difficult to meet the bills on the due date, if they are not able to collect from the people who would have bought from them,

Q.—Have you any experience of the working of co-operative societies?

A.—Not much, except reading academically, some literature on the subject.

Q.—Would it be advantageous to you if you put your goods into some godown and get advance on it?

A.—It is not possible, because we are selling our goods to very small merchants.

Q.—You are receiving payments to some extent by hundis. Do you not make your payment by cheques?

A.—No, our business hours do not permit the use of cheques. We begin our business at about 6-30 or 7 in the morning and close it at 9 p.m. Our collections are made between 7 and 9 in the evening. We cannot therefore send them to the bank. The next day we have either got to pay hundis or make remittances. So there is no possibility of cheques being used.

Q.—With regard to payment in the mufassal can you not issue cheques?

A.—It is not possible to send cheques to mufassal agents for the mufassal commission agents should have a bank account in the local bank. There are certain agents who have accounts in the local bank and in those cases we generally do so. But I find that the system of cheques involves unnecessary delay and entail a lot of unnecessary correspondence and trouble which many of our agents do not like. I may quote a number of instances where there have been unnecessary delays and troubles. Once I got a cheque from the Sun Life Assurance Company of Canada drawn on the Mercantile Bank. I sent the cheque to the Indian Bank and wanted to draw on that. The Indian Bank said that they could not allow me to draw upon that excepting on the amount of credit capital I had, and that they could not take that cheque into account. There are various other instances, where there have been considerable correspondence and delays. But on the other hand if I send money by insurance this afternoon, to-morrow it reaches our parties.

Q.—How much does it cost you if you send money by insured post?

A.—Annas 2 for every Rs. 100 and annas 4 for the envelope.

Mr. Hearson: How much do you send at a time?

A.—About Rs. 2,000.

Q.—Do you send half notes?

A.—We do not. We cannot insure half notes. Half-notes could only be sent by registered post.

The Chairman: What kind of hundis do you receive?

A.—The hundis we get are different from the ordinary hundis. We get darsana hundis. They are more or less in the form of a letter with an anna stamp affixed to it.

Q.—From whom do you get these hundis?

A.—From the piecegoods merchants or some commission agent or some export-trader or some other people who have to get money from outside. They will try to adjust their accounts by issuing hundis.

* Q.—Do you also discount your hundis?

A.—Yes, they are being discounted also at times.

Q.—Can you tell me whether banking facilities are lacking for developing your trade, and can you suggest any improvement?

A.—Yes, we have not much banking facilities. Here the whole of our business is financed by three classes of people. One is the private capitalist, the second is the Multani or Marwari or the sowcar and the third is the banker.

Now the tendency is that the banks are lending large sums of money to these Multanis and sowcars at a comparatively low rate of interest. They therefore have a large influence over the Madras market now. They in turn lend out their moneys at higher rates of interest to the commission agents and other merchants. The commission agents have no means of access to the banks and to such of those who have any access to the bank, the conditions imposed by the bank for the loan are not suitable. In the first place the banks think that the system of joint signatures without any security whatsoever is better than a single man giving some security. Supposing I have no securities to offer, if I could get another man with whom the bankers are presumably satisfied they lend money. If I offer my house, or landed property or some other property, they do not look at the proposal with favour. It is

always difficult for merchants to get the assistance of a co-obligator and to my mind it is a very unsuitable arrangement. There are various other difficulties in seeking another merchant to stand joint security unless both desire to get the loan and divide between themselves and this, in turn, depends upon the financial stability of either business. The system of joint signatures works very hard against merchants and that is why I say the ordinary merchants are not in a position to get any facilities from banks. But these merchants could easily get any amount of money from either the sowcars or the Multanis by paying a higher rate, who, in turn, get any amount of money from the bank with the least difficulty. These are the difficulties under which our merchants are suffering.

Mr. Hearson: Can you tell me whether the joint-stock banks appreciate the difficulties you refer?

A.—In the first place, the banks have already got into the groove of thinking that joint signatures are better than single ones and unless something is done to relax this enforcement, our merchants and others who are in urgent need of money at times will always find it difficult to get any facilities from the bank.

Q.—Do you not think that in the interests of the bank this rule should be enforced?

A.—It may be, but I do not think why from this point of view they cannot do so.

Mr. Gopala Menon: Do you think that it is due to the want of banking facilities that people go to the Multanis and Marwaris for loan to carry on their business?

A.—Yes, it is both due to the want of banking facilities and a thorough appreciation of the difficulties of the merchants on the part of the bank.

Q.—Do you think that when compared with other countries, we have only a ridiculously small number of banks?

A.—It is undoubtedly true.

Q.—How are people keeping their savings, if there are no banks near at hand?

A.—It all depends upon the class of population you are referring. I am of opinion that a very large mass of population have no savings at all. Vakils and other big landlords who have money enough lend out on jewels, mortgages, etc.

Q.—If there is a reliable bank at hand will not people keep their savings at the bank?

A.—Some of them at present lend their money on mortgages fetching higher rates of interest than that allowed by the banks.

Q.—I wish to know where they keep their capital or savings before they could find more profitable propositions for investment?

A.—If they have got facilities such as good banks near at hand they will put it in banks.

Q.—In what other ways are they keeping their savings now; are they locking it up in their tills or investing it in jewellery?

A.—Very few people lock up money in chests and I think this belief that we are locking up very much in jewellery must be exploded at one time or another. I do not think there is much money that is locked up in jewellery, regard being had to the position of the man.

Q.—There must be a lot of savings in the City of Madras. What I want to know is whether all the people who have got spare cash send in their money to the bank as most people in other countries do. What are the facilities that we could afford to these people?

A.—In the first place I do not myself see any trace of a large balance remaining with anybody. If so, it is either given in mortgages or converted into landed properties or lent to merchants.

Q.—Do you think that locking up money in landed or house property which does not fetch reasonable rates of interest is advantageous to the community?

A.—It is not advantageous to the community. But people seem to think it is preferable, this investment in landed property.

Q.—That perhaps is due to want of banking facilities. If they have got a good bank near at hand do you not think that they will put their money in fixed deposits there?

A.—Taking the bank deposit rate at 5 per cent, I do not think that landed properties fetch more than 4 per cent; still people prefer investment in landed property to putting money in banks. I do not think this is due to want of confidence in banks. Even if the Imperial Bank gives 5 per cent people will invest in landed properties and you cannot say that people have no confidence in the Imperial Bank.

Q.—A large number of people are investing money in Government securities because it is a safe deposit. Is it possible when there is a big and strong bank in the country to divert more money to fixed deposits and thereby utilize that money for the benefit of the community as a whole?

A.—I consider that such investment as are put in Government securities are on account of trusts, properties of big estates, etc.

Q.—But many vakils, merchants and others invest in Government securities and in times of need they get advances from banks on the security of these securities?

A.—I think they invest it with the idea that the price will go up.

Q.—Granting that there are banking facilities in the country and that people would invest it in those banks, would you prefer joint-stock banks or private individual banks?

A.—If the joint-stock banks are going to work in the way in which they are doing at present I would prefer the private indigenous banker. At present the joint-stock banks are bound by the rule of the thumb. If the joint-stock banks would to a certain extent relax their rules regarding joint signatures and all that then I think they would be more beneficent than private individual bankers.

Q.—Do you not think that if joint-stock banks should justify their confidence their administration should be more carefully checked?

A.—I have no idea that it is not now properly checked. I think there is proper supervision.

Q.—By what department of Government?

A.—I think by the Registrar of Joint-stock Companies.

Q.—Does the Registrar of Joint-stock Companies exercise any supervision over the balance sheet or does he only record it merely in his office?

A.—I think they record it in their office and do not go in for meticulous interference.

Q.—Do you think that this exists in this Presidency only or all over India?

A.—I am not aware.

Q.—From what class are they who exercise this control recruited? I mean the Sub-Registrars and the Registrars?

A.—They are recruited from graduates and law graduates and sometimes intermediates.

Q.—Do you not think they are not well educated or trained in commercial practice of trade customs?

A.—They have absolutely no idea of those.

Q.—So you cannot expect that that class of officers to exercise stricter control over the joint-stock banks far better than those who are conversant with commercial practice and trade customs?

A.—In the first place I should think that they have no aptitude to understand the commercial side of the matter. They are guided by the rule of thumb. These men cannot sufficiently administer the section relating to fraud, liability of directors and safeguard the interests of the shareholders and depositors because they had not had the necessary training in those directions.

Q.—Do you not therefore think that a separation of the administration of the joint-stock companies from the Registration Department in this Presidency will conduce to greater confidence in joint-stock banks and the promotion of any commercial investment on the whole?

A.—I am not prepared to grant such a large thing to that legislation. I will certainly say that it will be more efficiently discharged if it is separated from the Registration Department.

Q.—Do you therefore admit that some reforms are required in that direction?

A.—Reforms are always welcome.

Q.—Do you know whether the commercial community ever approached the Government for that kind of reform?

A.—I am not aware.

Q.—You have been in the advisory committee of a bank although it has become defunct now. You know the conditions of joint-stock banking. Do you think any extra safeguard is required to protect the interests of depositors?

A.—In a way I think the depositors are to be protected against the possible mismanagement of the directorate. Now these directors are elected. I think there must be some other system of election than mere majority votes.

Q.—What I mean is, we hear of the promotion of certain spurious banks and we hear also of unexpected liquidations. Such things should be stopped?

A.—Yes.

Q.—Do you therefore think that these banks should be brought under the control of the Government or to a central reserve bank, if it comes into existence, in regard to their accounts and nature of business and so on?

A.—That is true, but my fear is such an arrangement will result in officializing the whole thing.

Q.—Do you not think that this checking by Government is good?

A.—It is not an unmixed blessing any way.

Mr. Thomas: What about the adequacy of reserves in banks? Are they adequate enough against the deposits received by the bank?

A.—I think they are enough.

Mr. Gopala Menon: Do you think that there should be an apex bank?

A.—Yes.

Q.—In that case these smaller banks can be made responsible to the apex bank in some way or other and what we want to find out is how can we bring out that co-ordination and control?

A.—Is it your idea that these smaller banks should deposit some amount in the reserve bank in the shape of Government securities?

Q.—When these smaller banks become scheduled banks to the reserve bank the latter will be helping them with money. Is there no necessity for rendering such help?

A.—Yes.

Q.—If such a thing is done the reserve bank will help the smaller banks in times of stress. Is it not?

A.—Yes.

Q.—Such an arrangement will also avoid the necessity of keeping too much liquid assets and also premature liquidation?

A.—Yes.

Q.—At the same time do you not think that the reserve bank should not compete with the other banks?

A.—Yes, they should not resort to that class of business which the joint-stock banks are doing.

Q.—Do you think that the Imperial Bank which is considered to be a central bank now or acts as a central bank can duly perform that function or do you want a separate State bank to be brought into existence?

A.—I think that the Imperial Bank will at one time be converted into a State bank.

Mr. Hearson: If you make the Imperial Bank the State bank then what would become of the 160 and odd branches of the Imperial Bank? Do you think that most of them will be closed?

A.—If the Government withdraws its support then some of the unrenumerative branches will have to be closed down. But I think the head offices can act as reserve bank and the branches can do the same business that they are doing now even though this means the change of the name of the head office or the branches. The head office can be called the reserve bank and the branches can retain the name of the Imperial Bank.

Mr. Gopala Menon: If the Imperial Bank is converted into the reserve bank it means that it will have to give up certain amount of business which they are now doing. Is it not better that a separate institution is brought into existence which can have equal relationship with the Imperial Bank and the other joint-stock banks?

A.—If the Government are going to institute another bank necessarily they have to withdraw the concessions granted to the Imperial Bank and that means that the Imperial Bank will lose a lot of its business. They have necessarily to restrict their activities. Then where does the question of competition come in?

Q.—As you suggest if the Imperial Bank is made the State Bank there may be immediate difficulty in finding other banking institutions to take up the business. That work is at present done by the Imperial Bank?

A.—If there is a gap left naturally it will soon be filled in. It will give rise to the formation of so many joint-stock banks.

Q.—But that will take time. In the meantime there will be difficulty in finding an agency for financing those transactions which the Imperial Bank is doing now?

A.—I am not quite sure that the question of time is such a great difficulty.

Q.—Take it to be three years or five years?

A.—I do not think the Government will withdraw its money in one day nor will the Imperial Bank deliver it in a day. It will take time; that is, it can be done gradually and so there will be no immediate gap.

Q.—Do you think that our temperament in the country is such that we will immediately start organisations to fulfil the necessary functions?

A.—If it comes like that it is no question of temperament at all; it is a question of necessity. When you are stranded you will be compelled to do it. The reserve bank will be there to give you all help.

Q.—You think people will come forward to start more banks?

A.—I think so.

Q.—What is the rate of dividend some of these joint-stock banks are declaring now?

A.—From 9 to 12 per cent.

Q.—You also know the rate of interest charged by the indigenous banks and money-lenders?

A.—They charge much more than the joint-stock banks and probably make much more than 12 per cent.

Q.—What would be the rate of interest one would get without much risk?

A.—12 per cent.

Q.—Do you admit that these high rates of interest have been a serious detriment to the trade and industry of this country?

A.—Undoubtedly.

Q.—Because of that you do not find much money flowing into industrial concerns?

A.—That is one of the reasons.

Q.—These high rates of interest will not be tolerated in such advanced countries like England and the United States of America. Is it not?

A.—Yes. I am aware of the instance when the Bank of England rate was raised by 1 per cent there was such commotion that the bank was compelled to reduce its rate within a fortnight whereas here the Imperial Bank stands stubborn.

Q.—Will it not take some time in India to bring down the rate of interest in order that joint-stock banks may be started at a rapid pace?

A.—To-day I am not quite sure that the rate of interest is regulated by the mere question of supply and demand. You fix a certain rate, the Imperial Bank fixes its rate and the indigenous banker has got his own rates. How can you account for the fact that they have much capital and still have high rates of interest?

Q.—The difficulty is how to get the capital for starting new banks?

A.—You have to offer a higher rate of interest on deposits.

Q.—Do you think that the Multanis, Marwaris and other indigenous bankers will start joint-stock banks and offer higher rates of interest on deposits?

A.—It is just possible.

Q.—Is there any other way in which joint-stock banks can increase in the country?

A.—These high rates of interest cannot stand long.

Q.—You think unless competition is created you cannot bring down the rates of interest?

A.—Yes.

Q.—But the question is how soon we can create this competition?

A.—It all depends on organization and work.

Q.—Will we get that commercial organisation?

A.—We cannot be doubting always. When once it is taken it is quite easy.

Q.—Are you for restricting the investments of foreign insurance companies and exchange banks in India? Are you for laying down the rule that all the profits that they make should be invested in India alone? All their capital comes from outside India, their directorate is outside India but they take away the profits. Would you, therefore, impose any restrictions on their operations?

A.—Certainly. If they want to do business in India a certain amount of their capital must be in some Indian companies.

Q.—Will it not depend on the confidence that they have in those concerns?

A.—Yes.

Q.—Do you think they are not investing now?

A.—I do not think they are investing their money in any Indian banks at any rate.

Q.—That depends on the individual mind. I will not go and invest money in a bank in which I have no confidence?

A.—Unfortunately unwillingness to invest money in Indian enterprise is always ascribed to the notion that we may have of the bank. Even now we have not been able to persuade the Government to allow municipalities to invest their money in the Indian Bank, but still we know that the Indian Bank is as reliable a bank as any other bank in India.

Q.—So you want to impose some restriction?

A.—Yes.

Q.—The exchange banks have come here for a particular purpose, i.e., for financing international trade. India has got dealings with all parts of the world and this international trade has got to be financed. If you scare them away will it be possible to find substitutes immediately?

A.—How can you scare them away?

Q.—By imposing restrictions?

A.—I do not think they are so unbusiness-like as to resent reasonable restrictions.

Q.—Is it possible to find out any way by which the surplus money that comes into India by way of balance of trade can be utilized for the benefit of the community as a whole?

A.—If there is surplus money certainly it is possible to use it.

Q.—The balance of trade is always in our favour?

A.—Yes, I have been seeing it, but I do not know in what shape it is coming, whether it is in actual bullion or in some other shape.

Q.—Now we are all agitating for rapid industrialisation of the country. Is it possible for us to find out a scheme by which this money could be drawn for the benefit of industries?

A.—Unless we examine the tariff list, it is not possible to say anything with regard to industrial developments. It depends upon the way in which you levy your duties. Unless it is regulated it will not be possible for us to make some improvement in industries.

Q.—You therefore want to attract more money to industries by raising the tariff and to help the institution of Industrial banks to be started?

A.—It is possible to improve the indigenous industries by giving protection against foreign trade. The consumers in the long run will be benefited.

Mr. Hearson: Do you think that further development of banking is required for agricultural and industrial purposes? Which has got the greater need?

A.—As at present it can only help the agriculturist.

Q.—Can you suggest any other banking facilities for industrial concerns?

A.—In the first place there are not many industries which require money.

Q.—Is it not the case that a great many traders in Madras particularly the Chetti community invest their savings in lands and house properties?

A.—It is no doubt true that when people find some money as balance in their safes they invest it in landed properties.

Q.—Does the merchant keep his capital fluid or trade beyond his fluid means?

A.—If a merchant has got too much of his capital locked up permanently in land he is apt to trade beyond his means.

Q.—Does it give prestige to be a land owner?

A.—They would lend sums on landed property or house property.

Mr. Thomas: Marwaris and Multanis lend money in Madras, do they not?

A.—Indian money-lenders invest their money in the landed property in Madras.

Q.—Do indigenous bankers properly so called acquire land? I should have thought that merchants did so principally?

A.—All merchants.

Q.—You know that exchange banks take considerable amounts of deposits in India. Is that not a reason for exerting some local control over them? Are you aware that in certain other parts of the Empire some of the exchange banks are not even allowed to open branches?

A.—I am not aware.

Q.—In regard to joint-stock banks you say that they look upon the Indian businessmen with suspicion and that they are not helpful to the local merchants?

A.—Why suspicious? I almost believe.

Q.—What are the reasons for your belief?

A.—With regard to foreign banks they look upon the Indian businessmen with suspicion. They think that the Indian businessmen are not as straightforward and honest as the European merchants. They are very conservative in their nature. In regard to Indian banks the complaint is that these banks are started by persons who have amassed wealth and that they are not able to appreciate in what particular way they can accommodate businessmen.

Q.—Do you think that those banks should lend without the security of a joint signature?

A.—It is a known fact that these merchants have got more of land. Supposing a merchant whose title deeds and landed property is worth about fifteen thousand rupees takes ten or fifteen thousand rupees on pro-notes repayable at the end of three months where is the difficulty for the Indian money-lender to advance money?

Q.—But landed property is not a fluid investment?

A.—You are actually having that property as a mortgage. You give a loan of ten thousand rupees to two persons who are businessmen on joint signature. They should pay it on a particular date. If the first person who had taken the money cannot pay the money on the due date, the other one should pay it.

Q.—You think therefore that even double signature is not sufficient security?

A.—I would rather prefer two signatures. There are merchants who will not lend even if the merchants have got their goods. It is possible for the merchants to show their title deeds and to raise loans from banks. The banks insist upon putting the board. It is considered to be derogatory.

Q.—What is the harm in putting their board? In return you get money at a low rate of interest?

A.—It may be. When we can get money by other means without this publicity, why should we go there?

Q.—All the world over, particularly in commercial countries, we find loans being raised in that manner?

A.—That is true. That kind of change has not come for the Indian. After all we must respect the prejudices of the country. I do not think we need go so far as that. Merchants are dealing more in documents than in cash. If it is a large amount that is involved, then perhaps we may take a different view. Supposing I have a lakh of rupees. I want twenty thousand rupees more. If I put a board I am creating an impression that it is mortgaged to the bank. That impression must not be created.

Q.—Do you think that facilities for internal trade are ample in this country?

A.—They are getting restricted.

Q.—What are the causes?

A.—The question of shyness.

Q.—Do you find difficulties in remittance of money?

A.—They charge a high rate of interest on discounting hundis.

Q.—Do you think that co-operative central banks can undertake that work?

A.—The co-operative central banks can.

Q.—You are aware of the disparity of the Imperial Bank rate and the market rate for loans? How do you account for it?

A.—The money-lender has got it from the Imperial Bank. He has got his own restrictions to make his own profits.

Q.—Is there any possibility of the middleman's profit being reduced?

A.—Provided the banks deal directly with the merchants. It can be made fluid by insisting on payment on the due date. The Imperial Bank should be precluded.

Q.—Do you think that the rules should be changed?

A.—Yes.

Q.—Do you deal directly with the ryots who cultivate chillies? Do you make advances to them?

A.—Yes.

Q.—On what stipulation do you give loans?

A.—On receipt of railway receipts we give them money.

Q.—You do not give loans for cultivation purposes?

A.—We used to give formerly.

Q.—What interest do you charge on them?

A.—12 per cent.

Q.—I suppose your dealings are through the commission agents. Do they buy it on their own responsibility?

A.—They buy it on their own responsibility.

Q.—They also lend?

A.—They advance money to the ryots even previous to the arrival of the goods.

Q.—Do you think that there is any injustice in the matter to the ryot?

A.—Now the ryot is conscious of all things.

Q.—The ryots who took loans are bound to sell the produce to the lender and possibly at stipulated prices?

A.—Hitherto all these things were existing. Even though the ryot has now become well informed he does not care.

Q.—Have you examined the weights and measures used in the mofussil?

A.—There is no cheating.

Q.—I know that cheating is taking place in certain places in the North?

A.—No.

Q.—What deduction do you make in the market price when you buy from the ryots?

A.—All depends upon the market rate. If the market price is Rs. 100, I deduct Rs. 3 and give it to the merchant for Rs. 97.

Q.—At what price does the ultimate consumer of chillies buy?

A.—By the time it reaches the consumer it would have increased by 10 per cent from the price at which it was originally sold at the place of production.

Q.—Excluding railway charges?

A.—Yes.

Q.—Do you not think that there is much disparity between the price that the cultivator gets and the price that the consumer pays?

A.—There is about 10 per cent. This will go in the shape of commissions and profits to the intermediaries. I think 20 per cent is consumed by the railway companies.

Q.—No other charges?

A.—No.

Q.—Is there any means of reducing that disparity?

A.—Except by the reduction of railway charges there are no other means.

Q.—Is there no way for the ryots to organize themselves and sell their produce through co-operative societies?

A.—That is a fiction. They seem to think that they can do without an intermediary man. I do not believe in it. For instance I will mention a case. Last week chillies were dear in Madras. Then there was no possibility of the middleman interfering. Then we got about 50 waggons from the Punjab and lowered the prices by Rs. 45 per candy. What is after all that the Triplicane Urban Co-operative society is doing. It is necessary to borrow from the place or the middleman here. They know that the price they have to pay at the place of production is rather higher than what they have to pay for the middleman. The ryot is anxious to see that his goods are sold away and to get back his money.

Q.—Do you not think that the corporation can do some help?

A.—If you shove out the middleman from this harmless avocation what is it that you are going to provide for him?

Q.—There is no industry to lean upon? Could he not become the producer?

A.—How could he?

Q.—In your personal dealings, what kinds of cheques do you use?

A.—Very little as compared to the cash transactions.

Q.—Is there no means of increasing the cheque habit and thus making it serviceable?

A.—The banking hours ought to be changed. There must be at least certain branches open which work during mornings and evenings. We close our own shops and go away at night. Banks close their doors for receipts and deposits at 3 p.m. Some of us close only at 9 p.m. We do not get anything before 3 p.m.

The Chairman: The staff must work very late at night?

A.—Yes.

(The witness then withdrew.)

The Committee adjourned to meet again at 11 a.m. on Tuesday, the 28th January 1930 at Madura.

Tuesday, 28th January 1930.

MADURA.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur V. HAMMED SULTAN MARICAIR SAHIB Bahadur.

M.R.By. O. R. M. M. S. M. SEVAGA CHETTIYAR alias **MANICKAVASAGAM CHETTIYAR**, Chairman, Union Board, Devakottah, and **M.R.By. T. A. R. C. T. ARUNACHALAM CHETTIYAR** of Kandanur.

Oral evidence.

The Chairman: Mr. Manickavasagam Chettiyar, you are Union Board President, Devakottah, are you not?

A.—Yes.

Q.—Are both of you doing the same sort of business?

A.—(Mr. Arunachalam Chettiyar) I am an agent of the S.R.M. firm in different places in Burma.

Q.—Where is your headquarters?

A.—Formerly in Mandalay and now in Rangoon.

Q.—Are you the local agent of that firm?

A.—I have got my own business.

Q.—You are not carrying on any business in Madura?

A.—No. Only in Rangoon.

Q.—Is your headquarters here?

A.—Yes.

Q.—What is the nature of your business?

A.—Banker.

Q.—On what are you lending?

A.—On personal security, promissory-notes, hundis, hypothecation, mortgage, against bills of exchange, title deeds as well as on stock-in-trade.

Q.—Mr. Sevagam Chettiyar, is your business also the same thing?

A.—Yes.

Q.—Where is your headquarters?

A.—At Sholavandan. I have got a branch in Malaya also.

Q.—Is your business primarily money-lending business?

A.—I am a banker.

Q.—Are you trading?

A.—No.

Q.—What does your business consist in?

A.—Lending on hundis, promissory notes, hypothecation, mortgage, etc.

Q.—For what purposes do you lend money?

A.—For trading, to merchants.

Q.—But principally for what?

A.—I lend to agriculturists also.

Q.—Do you lend on paddy?

A.—Yes.

Q.—At what rate of interest?

A.—15 per cent.

Q.—It is a safe form of business, is it not?

A.—It is a good business. It does good to so many of our people.

Q.—Is it good for Nattukottai Chettis only or for traders?

A.—For traders.

Q.—Why is it that so many Chettis do more business in Burma and Malaya, but not so much in Southern India?

A.—Formerly we were doing much business here but owing to difficulty in recovery of loans and persons declaring insolvency we have discontinued more or less our business here and extended our business there. There is also great complexity with regard to encumbrances, inheritance, etc., here.

Q.—I want to know what is exactly at the bottom of it?

A.—The delay in getting decrees from the courts and in realizing the money in Southern India.

Q.—Do you get decrees as quickly in Burma as in Madras?

A.—Even without going to courts there is more chance of money being realized.

Q.—Are the agriculturists more honest there and do they repay their dues more regularly?

A.—The main point is that if you file a suit you can be sure of getting the decree within six months or at the most within eight months you can realize the money. I know in Southern India cases have taken ten years and sometimes even centuries to be finally decided. Even in the Munsifs' Courts cases are generally decided not earlier than five years.

Q.—What is your ordinary lending rate in Southern India?

A.—Mostly 9 per cent, 12 per cent and 18 per cent. In very rare cases only more than that is charged. It is only in cases where it will prove very difficult to recover the amount that we put a higher rate on the promissory note. When a case is taken to court only 6 per cent is allowed from the date of institution of the suit to the date of realization. Formerly judges were allowing that rate of interest from the date of institution to the date of decree. Now-a-days the courts allow interest at 6 per cent for the whole time and it sometimes takes even five years to realize the amount. Another handicap is that no compound interest is allowed.

Q.—I suggest that the reason why you are increasing your business there in Burma and decreasing it here is that there you get a higher rate of interest than here. That is the reason why you transfer your business from here to Burma?

A.—That is not the reason. There we realize our money more easily and so our money rolls more quickly. We do not charge more interest. I myself have lent money at 6½ per cent interest on good security in Burma, against security of title deeds.

Q.—For what period?

A.—12 months.

Q.—On what terms?

A.—Interest to be paid monthly.

Q.—Is the amount to be repaid in monthly instalments?

A.—No. Interest is to be paid monthly and the principal at the end of 12 months.

Q.—You are not talking of the kandu system?

A.—No.

Q.—What about the kandu system?

A.—That is only a very small proportion. We lend say Rs. 100 at 1 per cent per month for three months. We deduct the interest say Rs. 3 and the principal can be repaid in monthly instalments or even weekly.

Q.—You lend Rs. 100 repayable in 10 monthly instalments and the interest of Rs. 10 is deducted and you pay the man Rs. 90, and he executes a pro-note for Rs. 100. He repays the amount in monthly instalments of Rs. 10. What is the actual rate of interest in that case?

A.—It will come to about 19 per cent.

Q.—If you lend at 12 per cent and 12 instalments?

A.—When it is 12 months we get 24 per cent interest. When the period is long the interest may be high. But nobody will borrow large sums in that way.

Q.—If you lend Rs. 100 to be repaid at the rate of a rupee a day for 100 days how much do you deduct in the first place?

A.—We deduct Rs. 3-5-4 and hand over the man Rs. 96-10-8. But the amount that is lent like that is very small. Such shops are called kisti shops or thavanai shops. Big firms do not do such business. Shops having good reputation do not transact such business. The maximum a man can lend like that will be Rs. 10,000 and even for that amount, for keeping the accounts of all the constituents he would require about 100 clerks.

Q.—Do you lend to agriculturists on the kandu system?

A.—No.

Q.—How do you transmit your money to Burma?

A.—We send by telegraphic transfers through the Imperial Bank of India, or the exchange banks. If the amount is Rs. 2 lakhs or more from the Accountant-General we get drafts. If it is less we go to the Imperial Bank or the exchange banks. When I was in Burma I had accounts with the National Bank, Bombay, and the Chartered Bank, Calcutta, and I was selling telegraphic transfers on them.

Q.—On what terms?

A.—If I get from the Accountant-General at one anna I charge one anna and one pie or one anna and two pies and sometimes even one and one-fourth annas. If it is a big sum I charge only one pie more.

Q.—How do you send your money through the Accountant-General?

A.—Some traders may come to me and say that they want T.T. from Burma to Calcutta or Bombay for say Rs. 10,000 or Rs. 20,000 and thus I sell to those merchants. When the amount comes to two lakhs we go to the Accountant-General or the Imperial Bank or the National Bank. If it is transferred through the Accountant-General I instruct the banks to receive the money from the Accountant-General. The exchange banks do not sell always, but only when they want. So also the Imperial Bank. If those banks quote a higher rate then I go to the Accountant-General.

Mr. Gopala Menon: Is the Accountant-General prepared to give you a T.T. always?

A.—Yes, always. The Imperial Bank sometimes refuses to give and then you can go to the Accountant-General.

Q.—What rate does the Accountant-General charge?

A.—Formerly he charged one anna for Calcutta and Bombay.

Q.—At what rate do you get from the Post Office. You can send telegraphic orders through the Post office?

A.—No. They charge Re. 1 per cent plus telegram expenses. We will have to pay the cost of the telegram and money-order commission.

Q.—Is there no other means of transferring money for your own expenses? How do you obtain funds for your business in Burma?

A.—I sell telegraphic transfers on my own account. I sell to my constituents Rs. 10,000, Rs. 20,000, etc., and when it has accumulated and comes to Rs. 2 lakhs then I get through the Accountant-General a T.T. I am selling for credit and I get cash.

Mr. Muthiah Chettiyar: Now the Chettiyars are here. Their shops are in Burma. How do they get money for their expenses?

A.—We can draw hundis from here on our firms. We can also issue demand drafts.

The Chairman: Hundis on whom?

A.—On our own firms or on adathis.

Q.—Who is an adathi?

A.—An adathi is a commission agent.

Q.—So you draw on commission agents in Burma?

A.—Yes, or on commission agents in Bombay, Calcutta or Madras.

Q.—What do you do with that hundi as soon as it is drawn?

A.—I hand over the hundi to anyone who has got money and wants to remit it to Burma. Sometimes I am able to sell that hundi for par, sometimes at a discount locally. Finally the hundi is sent to Burma for collection. Every party who has got my hundi, either can resell it or can send it for collection.

Q.—On whom do you draw the hundi generally? What is your ordinary procedure?

A.—I draw the hundi in favour of the man who has paid me money locally.

Mr. Gopala Menon: You have given two or three alternatives. On whom do you draw the hundi generally?

A.—On our agent in Burma. I then discount that hundi locally and get cash. Sometimes I get a small premium also when discounting that hundi. Sometimes even the banks pay premium. For instance if I have a hundi for Rs. 100 then I may be able to get Rs. 100-1-6.

The Chairman: Mr. Sevaga Chettiyar, do you agree with what all he has said?

A.—Yes, I agree. They are all correct.

Q.—These hundis that you draw are purely accommodation hundis. They do not represent any transaction. Is that so?

A.—A business hundi is also the same.

Q.—Ordinarily these hundis that you draw to put you in funds in the Raunad district are simply accommodation hundis and not trade hundis. Is that not so?

A.—If I require money in Madras I may draw a hundi, a sight hundi or a demand hundi or a 90 days' sight hundi on Calcutta or Bombay according to demand.

Q.—But we are talking here about one class of hundis where you require funds for your headquarters?

A.—Even for headquarters one firm may require money and there may be another that may want to send money. We can get money from those firms.

Q.—Ordinarily is it not an accommodation hundi?

A.—Yes, it is an accommodation hundi for business.

Mr. Thomas: You cash the hundi for remittance of money from Burma to India. You want money here in India and when you discount that hundi you get it. Is it not so?

A.—Yes, if I require money I draw a hundi on my firm and discount it with banks or others requiring to remit money to Burma.

The Chairman: Do you help other people and give them money by writing hundis?

A.—Yes.

Q.—Cheque and demand hundis make no difference at all?

A.—Interest hundi is quite different. Even now if I require money I may draw a cheque on the banks. I may ask my agent at Rangoon to remit and to place it on my account.

Mr. Thomas: What is an adathi business?

A.—He is just like a commission agent. Supposing a man in Federated Malay States wants to get money he has got his agent who draws hundis and cashes them here. He himself may ask him to send it to the drawer. He may pay.

Q.—What is the necessity for an adathi?

A.—Adathi may send his instructions. He is a paid agent.

The Chairman: What forms the bulk of your business? Is it on security of land for agricultural purposes?

A.—Yes.

Q.—You do much business on other forms of security such as pledges of jewels and other things?

A.—I have no personal business in South India and Burma. I get security on stock-in-trade as pledges of goods and other valuable precious stones and other securities.

Q.—Do they do other business?

A.—Yes.

Q.—Do you lend money for other businesses besides financing the agriculturist?

A.—We help and finance the agriculturist.

Q.—Practically the whole of your business is that?

A.—We lend money on promissory notes.

Q.—Is the principal business to lend on land?

A.—No.

Q.—The bulk of your business is not giving loans to agriculture?

A.—Only on promissory notes.

Q.—The bulk of your business is on promissory notes?

A.—Yes.

Q.—What is the purpose?

A.—For agricultural purposes, for buying cattle, seeds and making earth-work, etc.

Q.—How much land have you bought in Burma?

A.—I have got some lands.

Q.—How much?

A.—He has got lands worth about ten thousand rupees from his clients in Sholavandan.

Q.—Have you got any land in Burma?

A.—Only a few thousand.

Q.—Many of the Chettis in Burma have got much land?

A.—Not much.

Mr. Thomas: Do you know anything about the Chettis in Ceylon?

A.—No.

The Chairman: What is the nature of adathi shops in Madras?

A.—They pay deposits in current accounts and in fixed deposits.

Q.—Who does it?

A.—Our people.

Q.—You say that the Chettis have got business in Federated Malay States?

A.—Yes.

Q.—Some of them have got adathi shops in Madras also?

A.—No. The firms existing in Madras may do adathi business.

Q.—What business do they do in adathi shops especially at Madras?

A.—Buying hundis drawn by the Malay States people and from other countries in different business transactions as well as for their own firms and remitting money.

Mr. Gopala Menon: What business is generally done in the shops?

A.—Besides adathi business they are drawing hundis.

Q.—Who is an agent and what does he do?

A.—Supposing A has got a business firm in Madras. Supposing there is a firm in South India he may draw from Federated Malay States other hundis. The other from Burma may also draw a hundi. If you draw money against that hundi, he may remit money to meet the payment. He may be allowed to give a certain amount as credit to meet the payment. According to previous arrangements he may draw hundis on his own shop.

Q.—Do all these people draw on Madras?

A.—They can draw either on Madras or Rangoon or any other place according to the arrangements they make. It is not necessary that their own firms should be in existence there at the places on which they draw.

Q.—When these hundis are met is not a small commission provided for the person doing adathi business?

A.—Yes. When the hundi is sighted by him he may pay the amount and debit it. The commission is calculated once in every six months when the accounts are closed.

The Chairman: I suppose that the Nattukottai Chettis do not do much hundi business. Do they?

A.—They have got a different kind of hundi business.

Q.—Do not the Nattukottai Chettis do a very big business in Hundis?

A.—They do. For lakhs and lakhs of rupees they may draw hundis.

Q.—They may. But do they do very much business compared with the Marwaris?

A.—They do business in hundis better than the Marwaris.

Q.—Have they much business in Southern India?

A.—Only in Madras they can be said to have much business but not so in the other places in the Madras Presidency.

Mr. Hameed Sultan Maricair: Are they having much business in Madras only now or even before had they much business?

A.—Now as before they are having much business in Madras. But in the other places there is not much opportunity for the Chettis to do large business.

The Chairman: You said that the Chettis are dealing in a special kind of hundis. Are they hundis that carry current interest at nadappu?

A.—Yes.

Q.—They are peculiar to the Nattukottai Chettis. Are they not?

A.—Yes.

Mr. Muthiah Chettiayar: Do other people also use them?

A.—Yes.

The Chairman: Am I right in saying that nadappu interest hundi is particularly confined to the Nattukottai Chettis?

A.—There are some others who are doing that. But very much is being done by the Nattukottai Chettis while only a very small portion is attended to by other classes of people. The latter will come to only 1 per cent.

Mr. Gopala Menon: From which source do you get the capital for your business? Is it your own money that you use?

A.—We are carrying on business mostly with our own capital and sometimes with the money of our community people which will be in the form of deposits with us and with a small amount which if necessity arises will be borrowed from the banks.

Q.—Is the business carried on with deposits only or do you borrow and do business with borrowed capital also?

A.—We borrow only from the banks when we require.

Q.—You told the Chairman a little while ago that some are doing money-lending business and some are doing banking business. Will you tell us the difference between the money-lender and the banker?

A.—Some are doing money-lending business and these people do not receive deposits. It is only when they do business with their own capital and the money with them as deposits that they can be said to be bankers. The money-lender merely lends money but does not do business by way of remittance and discounting which the banker does.

Q.—Do you get money from your relations also?

A.—We get money from them also as deposits.

Q.—Which forms the major portion—your own capital, the deposits from your relations or the deposits from the others?

A.—If the capital is not much, the depositors will not deposit much either.

Q.—At what rates do you borrow from your relations?

A.—At the nadappu rate or an anna less.

Q.—From the others who are not Nattukottai Chettis?

A.—At the same rate. There is not much of difference.

Q.—In the case of the ordinary banker what proportion will the borrowed capital bear to his own capital?

A.—If he is worth Rs. one lakh, his debts will amount to Rs. 10,000.

Q.—How much of it will be on current deposits and how much on fixed deposits?

A.—There will be no fixed deposits from outside if he is not worth a great deal and even he will not go asking for fixed deposits.

Q.—Then your taking deposits is not the rule but is only the exception?

A.—Yes.

Q.—But all the banks take deposits. I mean the Chartered Bank, the National Bank and the Indian Bank. You say that you are not prepared to take deposits always but that you take them only as an exception. Is that so?

A.—The banks that you mentioned take deposits only at 3 or 4 per cent and they are prepared to take deposits if available. But we could not get such deposits.

Q.—What is the rate of interest that you give on fixed deposits?

A.—The nadappu rate which depends on the agreement among the members of our community and that is that the interest should not be less than 6 per cent and should not be more than 12 per cent. There may be a margin of an anna or half an anna.

Q.—You do not take large amounts as deposits and you also refuse deposits. Is that so?

A.—We will not take deposits unless we require.

Q.—Are you taking deposits proportionate to the capital that is your own?

A.—No, not at all.

Q.—But as regards the banker is it not his duty to take deposits also?

A.—Some may carry on business with their own capital.

Q.—You say that even bankers take deposits only when they require?

A.—Yes.

Q.—So it is only an exception if they take deposits?

A.—Yes.

Q.—When you grant loans do you always insist on taking securities?

A.—No. Mostly we make clear advances.

Q.—What is the nature of the securities that you may take?

A.—Pledge of jewels, mortgage of lands, usufructuary mortgage, pledge of goods, house property, etc.

Q.—To which class of people do you generally grant loans?

A.—Particularly to the agriculturists and the traders.

Q.—Do you give loans to the very small agriculturists?

A.—No. The small agriculturists will not come to us.

Q.—So, you give only to landed proprietors, such as mirasidars and zamindars?

A.—We give to mirasidars but not to the zamindars as the Impartiable Act is in force.

Q.—Do you generally borrow both from the Imperial Bank and from the joint-stock companies?

A.—Yes.

Q.—You use the money so raised for the purpose of helping trade here and elsewhere. Is it not so?

A.—We raise the money that we may require only locally as for instance if we require money in Burma we will raise the money there only.

Q.—When you borrow money, are you utilising that money for helping the traders or do you use the money to help the agriculturists?

A.—For the use of both.

Q.—What are the different kinds of hundis that you use?

A.—Demand hundis and sight hundis.

Q.—Are there no nadappu hundis?

A.—Demand hundis and nadappu hundis do not make much difference except that in the case of the nadappu hundis the interest that is payable is mentioned on the hundis themselves.

Q.—Is there not a vaddi hundi in which you say that after so many days interest at a particular rate will be charged?

A.—Yes.

Q.—What are the different forms of tavanai hundis?

A.—“30 days or 50 days after sight pay to so and so” is the form of a tavanai hundi.

Q.—Is that against goods or clear loans?

A.—We are drawing clear. We are drawing without security.

Q.—In the case of goods?

A.—Then we are sending our consignment receipt by D.A.

Q.—That is only in the case of a bill of exchange?

A.—Yes.

Q.—Do you take any guarantee in the case of the hundis? Is there any form in which a guarantee is taken, such as a temporary or a permanent guarantee?

A.—There is no permanent guarantee.

Q.—Do you know the system prevalent in Madura?

A.—Yes.

Q.—Is there any such system in which the guarantee form is either temporary or permanent?

A.—We do not have anything to do with it; but probably the traders may have something to do with it.

Q.—Do the Marwaris and the sowcars do it?

A.—They never do.

Q.—Professional money-lenders?

A.—Not that I know of.

Q.—Is there in addition to the temporary or permanent agreement any consideration form attached?

A.—No.

Q.—Are you in the habit of rediscounting such hundis?

A.—Rediscounting is the principal thing for us.

Q.—May I know the rates at which you rediscount? With whom do you rediscount?

A.—Formerly some Multanis were allowed at the official rate of banks but we are not allowed in Madras.

Q.—Anyhow you are rediscounting with the Imperial Bank?

A.—We are doing that but we are not allowed the same rates that are allowed to the other banks.

Q.—So you say that you have not got facilities for rediscounting?

A.—Yes, we have not got those facilities which the sowcars and shroffs have.

Q.—Are you sure about it?

A.—That is the case in Bombay and Calcutta. I am not sure of what is the case with Madras.

Q.—Do you want any further facilities?

A.—We want only that the bank rates should be allowed to us also.

Q.—Do you lend money on promissory notes?

A.—Yes; that was the principal business of our community.

Q.—Do you draw bills of exchange, both inland bills and foreign bills?

A.—Yes.

Q.—How many kinds of bills are there in existence among your class of bankers?

A.—Bills of exchange against the consignment of goods and against shipment.

Q.—Who draws these bills? Do you yourself draw for goods shipped to F.M.S. or to Rangoon?

A.—We are drawing ourselves.

*Q.—Do you also take the bills of others which are sent to you for collection?

A.—Yes and also the bills sent by our branches.

Q.—Along with the bills what documents do you take?

A.—Shipment bill of lading.

Q.—Do you see that the goods are insured and that the insurance certificates are attached?

A.—First they are taking the delivery orders and after shipping they get the bill of lading and they give the bill of lading as well as the hundi,

Q.—Then do you insist on getting the insurance certificate?

A.—Yes. Formerly the people were shipping their goods in certain ships and they were giving the bills of lading to us and borrowed money. And when the boat calls at the destination we would get that amount. But now we are asking them to insure because their goods are shipped in steamers, as otherwise loss may result.

Q.—When you take the bills from those who have shipped from here do you allow them money here or only take that for collection?

A.—Unless we find why should we give the money? I do not find any necessity.

Q.—In such cases do you take also a letter of hypothecation?

A.—Yes.

Q.—So you get not only the bill but also the letter of hypothecation. Is that not so?

A.—It is difficult to get the letter of hypothecation now. Formerly we used to take the letter of hypothecation. But now they say that documents should be written for the pledge.

Q.—Are you not allowed to take a pledge of the goods in the shape of hypothecation letters?

A.—Yes.

Q.—What is your opinion with regard to the scale of stamp duty on bills?

A.—It is very heavy.

Q.—What is the stamp duty now?

A.—One and a half annas for every hundred.

Q.—Is that the stamp duty on inland bills?

A.—Formerly it was one anna and now it has been increased to 1½ annas.

Q.—In F.M.S. and the Straits what is the duty?

A.—I do not remember that.

Q.—Do you want a reduction in the stamp duty to facilitate your business?

A.—Yes. Stamps for mortgages too should be reduced.

Q.—When we ask for reduction the Government is sure to ask us how this reduction is going to be made up?

A.—If the stamp duty is reduced there will be more business.

Q.—You want only a reduction of the existing stamp duty and not its total abolition?

A.—I want only that the duty should be reduced.

Q.—You told the Chairman that you are doing business outside the Madras Presidency, that the business in the Madras Presidency is very small and that you have developed your business in the Straits. Is that not?

A.—Not exactly so. Here also we have got business, but we have got more business in Burma.

Q.—You say you have more difficulties in recovering the outstandings in the Madras Presidency than in other parts?

A.—Yes.

Q.—You say that there is less insolvency in other parts than here?

A.—Yes. The procedure is also different. The insolvency rules in other parts are more favourable to the creditors than here. In Madras when an order of adjudication is got, the creditor gets nothing. It is not so there.

Q.—You also said that even when a decree is obtained, you are allowed only 6 per cent in this Presidency?

A.—Yes, from the date of institution of suit till the date of decree.

Q.—Does not that practice prevail in Burma also?

A.—Not at all. From the date of the institution of the suit to the date of decree they are allowing even 9 per cent.

Q.—Are you doing a lot of business by transmitting money from this place to other places?

A.—Yes.

Q.—Do you very often get from the Accountant-General transfer orders at more favourable rates of interest than the Imperial Bank or other exchange banks?

A.—We go to the Accountant-General's Office only when the bank refuses.

Q.—You say that the Accountant-General's office is always prepared to help you in your business?

A.—Yes, but there are certain restrictions in the Accountant-General's Office. In Madras the Accountant-General issues treasury bills only if the amount exceeds two lakhs. That is not the case with other banks. They issue bills for any amount.

Q.—What is the general difference of rate between these two?

A.—They are now-a-days practically the same. There was some difference some time back. The Imperial Bank was always charging a little more than the Accountant-General. Now that both are equal, we are not going to the Accountant-General at all.

Q.—Do you therefore think that the Accountant-General may stop this business, when the exchange banks and the Imperial Bank are prepared to do that business?

A.—If there is no difference between the rates, I think there is no need for the Accountant-General to do this business at all.

Q.—I may, however, tell you what the Accountant-General does in this matter. He has to remit money through the treasuries from India to England. The Secretary of State or the High Commissioner draws bills on the different treasuries in Bombay, Calcutta, Madras and Karachi. Very often the amount is drawn by the Secretary of State. If in Calcutta there is not enough demand to meet the drafts, but there is supply from Madras and Bombay. The Accountant-General in Madras is therefore authorized to do that business. I want to know whether you are of opinion that the Imperial Bank and its branches can handle the business more efficiently than the Accountant-General?

A.—Certainly, it will be more helpful if the Imperial takes up the business.

Q.—I want to know whether the treasuries are also purchasing and selling Government securities now?

A.—Yes, they are also dealing in Government securities.

Q.—Is not the Imperial Bank also doing that?

A.—Yes.

Q.—Do you not think that it is unnecessary that these two functionaries should do the same business side by side?

A.—I think the Imperial Bank is more convenient. Banks are always more convenient than Government offices.

Q.—Do you think that the commission charged by the Imperial Bank is reasonable?

A.—It is reasonable. They are charging two annas for less than Rupees 10,000 and for more than 10,000 they charge one anna only.

Q.—You have therefore nothing to complain about the commission charged by the Imperial Bank?

A.—Yes, I have no complaint to make.

Q.—You said that you are remitting hundis to the Federated Malay States and Burma. May I know the rate at which you are selling the hundis? Are there differential rates to Rangoon and Malay States, etc.?

A.—If it is inland business, we may get at the most $\frac{1}{4}$ anna per cent. In exchange we may get $\frac{1}{2}$ per cent.

Q.—I am told it is four annas per cent. Is it so?

A.—Owing to competition it has come down to $\frac{1}{4}$ anna per cent. Sometimes it comes down to $\frac{1}{2}$ anna per cent also.

Q.—What is the rate in Federated Malay States?

A.—Ordinarily one anna per cent and two annas per cent at the most.

Q.—What do you charge on bills of exchange?

A.—One per cent over the official rates. Formerly we were charging 2 per cent.

Q.—When you lend money here, is it usual for you to get two signatures or one signature only?

A.—We are lending on open accounts. We do not take any signature at all.

Q.—Do you think there is any competition between your business in the matter of remittances or in other ways with other banks, such as the exchange banks or the Indian Bank or the Imperial Bank?

A.—All are doing all kinds of business. There is no competition between any of them. I think there is ample room for business.

Mr. Muthiah Chettiyar: Are you keeping your accounts in cadjan leaves or in books?

A.—About 90 per cent of our accounts are maintained in books only.

Q.—It is said that the overhead charges of Chettiars are very low. Have you got to say anything about that?

A.—It has now risen higher.

Q.—You say it has increased, if so, what is the percentage of increase during the past 15 years?

A.—I can say, it has even doubled itself.

Q.—Do the Chettiars employ non-Chettiars also as agents?

A.—In very few cases, they do. The percentage may be about 5 per cent.

Mr. Thomas: Are they trained men?

A.—They are not educated, but they are well experienced in business.

Mr. Muthiah Chettiyar: Have you non-Chettiars as assistants. Are they in large numbers?

A.—Mostly the assistants are non-Chettiars.

Q.—What will be the total money put in business by Chettiars in India, Burma, Ceylon and Strait Settlements? Are they also locking up their wealth in house-property or jewellery, etc.?

A.—They do business mainly out of their own funds. The total amount of money we have invested in business will be about 80 to 90 crores in cash; our landed property will be between 15 to 20 crores, including houses. The amount put in jewels will be three to four crores.

Q.—What is the amount of non-Chettiyar borrowed capital?

A.—About 15 crores of rupees.

Q.—Does this include also your firms in the Federated Malay States, Indo-China, etc.?

A.—Yes, everywhere.

The Chairman: Where do you get the figures from?

A.—Every year we are getting a list showing the amount of business carried on in different parts of India by Chettiars. From that list we can know the total amount of our capital, invested in business.

Q.—Who compiles that list?

A.—The list is prepared by our own community. It is prepared for the purpose of collecting subscriptions from various Chettiars in connexion with the Mahema festival, and the subscription levied depends on the amount of business done by each individual. From that we can get these figures.

Q.—To whom do you pay the subscription?

A.—We are collecting the subscriptions ourselves and spend it on the festival day.

Q.—Do you mean your community? If so, how can a community as a whole collect the subscriptions?

A.—We have got an association in Madras. They generally convene a meeting once a year, fix the rate to be collected from all Chettiars on the basis of their business and appoint somebody locally to collect the subscriptions.

Mr. Muthiah Chettiyar: You say that you appoint somebody to do the business?

A.—Yes, each month we are having a person to manage the business.

Q.—Who puts all these figures together?

A.—Our own community.

Q.—The community as a whole cannot compile all these figures. There must be an office or something of that sort and there must be some person appointed for the purpose of collecting such statistics. Have you any such office?

A.—Yes, we have.

Q.—You say you are collecting the Mahema, when do you collect it?

A.—At the time of the festival.

Q.—How do you collect it?

A.—I said that one of the Chettiars will be appointed for the purpose and he will collect the amount.

Q.—On what basis?

A.—On the basis of their outturn of business. They charge a certain amount as Mahema on certain thousands of rupees business.

Q.—Is it on the total turn-over of your business?

A.—On the capital invested.

Q.—Are they preparing the lists for even villages?

A.—Certainly, for villages too they prepare a list of subscriptions. Meetings are also arranged in towns where the nearest villagers used to attend and give such statistics as are required of them. With these town people the central office at Madras communicates and gathers all information. From the information published by the central office, we can gather these figures.

Q.—Is there any possibility of getting similar information for Burma?

A.—Only approximately we can get. The list comes every year from Burma.

Q.—You say you have not worked out the figures from a regular list of subscribers. How do you get the figures then?

A.—My information is based on my conversation with our people in Burma and it is apt to be only approximate. We talk with the various Chettis in different parts of India and on such information only my figures are based.

Q.—Could you say that the borrowed capital of Chettiars is 50 per cent of their capital?

A.—No, I said about 15 per cent. Sometimes even less.

Q.—Does it include deposits also?

A.—Yes, but it does not include our own deposits.

Q.—How much will be your own deposits?

A.—It is not possible to say that. But I can only say that the public deposits will not be more than 15 per cent.

Q.—Could you at least say approximately the amount of your own money invested in your business?

A.—Roughly about one-fourth of the whole amount.

Q.—That works up to 40 per cent of Chettiars' own money in their capital. Is it not?

A.—Yes.

Q.—What will be the yield to the Chettiars by way of interest on the capital?

A.—So far as I understand from the actual practice here, I may say that nobody will get more than 9 per cent on the average.

Q.—It is said that Chettiar's capital doubles itself in five or four years. Is it so?

A.—Never, it might have been possible in rare cases, but that too is not nowadays possible.

Q.—In how many years will it double itself?

A.—In eight years if the rate of interest charged is 9 per cent.

Q.—It is said in a report some years ago that the total of the wealth of Chettiars was Rs. 10 crores in 1796. Now you say the Chettiars' wealth is about 80 to 90 crores. If your average rate is 9 per cent, you should have now about Rs. 160 crores. But you say that the Chettiars' wealth at present is only 80 to 90 crores. Can you account for the difference?

A.—I may say that about 70 crores of rupees have been spent in various ways. There have been various expenses, by way of house-building, marriages, etc. Moreover we are not getting always 9 per cent on our moneys. Sometimes we get less than 9 per cent also.

Q.—Do you know anything about the oil companies started by Moward and Indo-Burma Company?

A.—I was there only at that time. The Chettis own shares in that company. Some of the Chettiyars speculated and they spoiled themselves.

Q.—How many Chettiyars have been spoiled?

A.—On the whole about eight firms have been spoiled.

Q.—It is said that Chettiyars made much money out of that. Is it true?

A.—Not at all. They have, on the other hand, lost a good deal.

Q.—Do you know who were the shareholders?

A.—M.L.R.M.A., M.L.L.A., R.M.V.R.M.V., etc., I know that some banks also have lost heavily in that speculation.

Q.—Do the Chettis own rubber estates in Malaya?

A.—When the Chettis do not realize the amount they had invested they are taking the estates. Then they dispose them off when any offer comes.

Q.—From whom do they get the shares?

A.—From China and European planters.

Q.—Do the Chettis make large profits when they sell them back?

A.—Not very much. Some of the Chettis have done very large business but they have lost something also.

Q.—It is said that they bought at Rs. 100 per acre and sold at Rs. 1,000. Is that true?

A.—No. It is not true. They purchased at the rate of Rs. 600 per acre.

Mr. Thomas: Suppose an estate came into a Chetti's hands in 1896. Suppose he sold it in 1925-26 when the value of the estate had risen high. Do you not think that he would naturally get a very good profit?

A.—Yes, but the expenses to be incurred in the meantime are very heavy. During and after the war the price had risen, but before that all the people left the estate entirely with the Chettis. During that time we had good profits, but not afterwards.

Mr. Muthiah Chettiyar: You said that they had purchased the land at Rs. 600 per acre. Do you know at what rate they sold it?

A.—Somebody sold it at Rs. 1,000 per acre.

The Chairman: Have you personal knowledge of any particular transaction?

A.—Yes.

Q.—Did you buy any land yourself in the rubber estate?

A.—No.

Mr. Muthiah Chettiyar: Do the Chettis do large business in rice in Ceylon?

A.—It was done formerly by Chettis. Now not a single bag of rice is sold by the Chettis. The Bombay people have nowadays taken up that business.

Q.—Do the Chettis carry on kandu business also?

A.—We have very few business in that direction. It is largely done by the Madras people.

Q.—Do Chettiyars use cheques?

A.—Yes.

Q.—Do you use it largely?

A.—Yes.

Q.—Do many Chettiyar firms use cheques?

A.—Yes.

Mr. Thomas: If any of your clients want to pay their creditors by means of cheque will you consent to do it?

A.—Yes.

Q.—Will the creditors, especially shop-keepers, receive cheques in payment?

A.—Formerly they had objection but now not much.

Mr. Gopala Menon: Have you got the pass-book system?

A.—Yes.

Q.—Do you charge anything for the pass-book?

A.—No.

Mr. Muthiah Chettiyar: Do you want your customers to send the pass-book always when depositing money and withdrawing money?

A.—Only when depositing money. As regards payment of money or withdrawal of money the cheque is itself a voucher for payment.

Mr. Thomas: What percentage of Nattukottai Chettis accept deposits and allow those to be drawn by means of cheques?

A.—Most allow like that. Customers may draw cheques against both credit and against overdraft.

Q.—What proportion?

A.—Most Chettiyars except some very few small firms.

Mr. Muthiah Chettiyar: In the mufassal towns also do they have cheques or only in the town firms?

A.—Only in the town firms.

Q.—Which town firms do you mean?

A.—Firms in Rangoon, Madras, Bombay, Mandalay, etc.

Q.—Do Chettiyars allow cash credits?

A.—Yes.

Q.—What security do they take?

A.—Pro-notes, hypothecation of goods, deposit of title deeds, etc. I myself lent money for a ginning factory at Meenchan on the security of the stock-in-trade and allowed overdraft on it for the purchase of cotton. My only one darwan was in charge of that factory.

Q.—Do Chetti firms do such business largely now?

A.—Not largely, only some do it.

Q.—It is said in one statement that some Chettis manage to borrow ten times as much as their capital and there are others who borrow two and a half times as much as their capital. Could you give me any instances? People with how much capital can raise like that?

A.—It may be like this: one man may have a general capital of Rs. 10 lakhs and a local capital of Rs. 1 lakh. In that case he may be able to borrow more than double his local capital. It is possible only if people believe him and his general capital is large.

Q.—Please explain what you mean by local capital and general capital?

A.—Local capital means the capital employed locally for that branch only and the general capital means his whole capital of all the branches together.

Q.—Is it possible for a Chetti firm to borrow ten times as much as his capital?

A.—Never.

Q.—Are there even rare cases?

A.—Due to ignorance some may lend it but such instances are very very rare.

Q.—But generally supposing a firm has Rs. 5 lakhs capital. How much could that firm borrow? You can include in that the amount from Chettiyars, bankers and other lenders also. What is the maximum that such a firm can borrow from all sources?

A.—He can borrow according to his requirements. At most that firm can borrow two times as much as its capital.

Q.—Any individual instances?

A.—He can get that amount but it involves a large amount of expenses and no one will incur such large expenses. If a man borrows so much he will not attract much deposit for his credit may be shaken.

Q.—Without spending any money, ordinarily if a person has got Rs. 5 lakhs capital how much will he get?

A.—He will never get more than double.

Q.—I said without spending any money by way of commission to shroffs or cashiers?

A.—Then a man with Rs. 5 lakhs capital can borrow only Rs. 1 lakh.

Q.—From a bank how much maximum can he borrow?

A.—Rs. 2 lakhs at most.

Q.—Will it be on joint signatures?

A.—Yes, the other man should have also Rs. 5 lakhs.

Q.—So two persons having Rs. 5 lakhs of capital each can borrow by joint signatures Rs. 2 lakhs?

A.—Yes.

Q.—How much will they lend on one joint signature?

A.—Generally in Rangoon they used to lend Rs. 50,000 for each loan, but now they only lend Rs. 20,000. In Madras I am told they lend up to Rs. 50,000.

Q.—So if a man wants Rs. 2 lakhs he should sign with 10 other people?

A.—Yes, but out of that Rs. 20,000 the other man will take a moiety, and hence he will get only half the amount.

Q.—So only if he signs with 20 other people he will get Rs. 2 lakhs?

A.—Yes.

Q.—There is a case here. Rs. 7,875 was advanced in 1886 and in 1916 i.e., 30 years afterwards a decree has been obtained for Rs. 1,58,000. Here the amount is 20 times greater than the principal. How do you account for this? They say the interest here is usurious?

A.—It is not. If the interest is 9 per cent in 32 years the amount will be Rs. 1,28,000.

Q.—Then the rate should be more than that?

A.—It works out to 10½ per cent. At that rate the amount will double itself in seven years. If the interest is 12 per cent, it will double itself in six years.

Q.—If the rate of interest was 12 per cent, what will be the figure in 30 years?

A.—It will be Rs. 2,56,000.

Q.—So you say the interest is not even 12 per cent?

A.—Not at all.

Q.—How frequently have you to pay interest for your loans and overdrafts to your bank?

A.—For overdrafts we are paying interest monthly and for loans once in every 3 months.

Q.—Is there a feeling amongst indigenous bankers that these banks should not charge interest every month?

A.—We are accustomed to it and do not feel any hardship.

Q.—On loans you pay interest once in three months. Is it not?

A.—Yes.

Q.—How do you pay interest to your depositors? Do you pay them also once in three months?

A.—We are paying them once in six months or at the time the fixed deposit expires.

Q.—How frequently do you collect interest from your clients?

A.—Mostly during the season.

Q.—How many times a year?

A.—Once a year, from traders month by month or once in three months.

Q.—Are Chettis in the habit of deducting interest at the beginning when they grant loans?

A.—No, only very seldom. Only when we discount hundis.

Q.—On pro-notes or on mortgage deeds if you grant loans do you deduct interest at the beginning?

A.—No, never.

Mr. Thomas: Do you take any *mahimai* when you give loans?

A.—That is only in rare cases. Even for stamps we are spending money. When traders come to borrow money we give them a stamped paper.

The Chairman: Do they execute deeds for a bigger amount than the sum borrowed?

A.—Never.

Mr. Muthiah Chettiyar: Do you know this only so far as Chettiyars are concerned or about others also?

A.—So far as Chettiyars are concerned. Some South Indian firms fix a higher rate of interest because they know in such cases they have to go to courts and when they go to court they may get a decree only after one or

two years, and then the court allows interest only at six per cent. In the meantime they get the contracted rate of interest up to the date of decree and thus they can make up any loss by stipulating that higher rate of interest. Nowadays even munsifs are not allowing higher rates of interest.

Q.—It is said in Sivaganga circle the rate of interest is 18 to 24 per cent with one year rests or 20 kalams of paddy for Rs. 1,000 loans every year. Is it right?

A.—I think nobody will be able to pay 20 kalams of paddy.

Q.—What is the price of 1 kalam?

A.—It comes to Rs. 5-4-0.

Q.—What is one kalam, how many measures?

A.—54 measures.

Mr. Thomas: The price some time ago was much higher than it is now?

A.—Yes.

Mr. Muthiah Chettiyar: Have these Chettis got firms in Virudunagar? What will be the rate of interest charged by these Chettis to agriculturists?

A.—They never lend at more than 12 per cent interest.

Q.—On clean loans what is the rate of interest?

A.—Nowadays nobody lends on clean loans. It is very difficult to collect the amounts.

Q.—In Karaikudi 12 to 24 per cent interest prevails. Is it correct?

A.—I have never heard of it. If it were the case people will not pay.

Q.—It is suggested that legislation should be enacted to restrict the rate of interest that bankers should charge to agriculturists and others. What effect will that have upon your lending?

A.—Poor people may suffer. A man may be honest and he may borrow say Rs. 100 for trade at a higher rate of interest. He may have no security at all to give and out of this money he may carry on his business and make profit. If legislation is passed such lending will be stopped. Nobody will lend money on clean loans.

Q.—You say that if a legislation is passed restricting the rate of interest nobody will lend money on clean loans and that everyone will insist on security?

A.—Yes.

Q.—How will such people who are raising capital now raise their capital then?

A.—They will not be able to raise capital.

Q.—In what way then can the rate of interest charged by indigenous bankers come down? Is there any method you can suggest?

A.—You can restrict the rate of interest for loans with security.

Mr. Thomas: For what purposes are 'clean' loans taken?

A.—For domestic purposes as well as for trade purposes.

Q.—Do they borrow for non-productive purposes?

A.—I do not think so.

Q.—If it is for productive purposes they might go to the co-operative societies?

A.—The co-operative banks would not give them a single pie and I think they charge penal rates of interest if the amount is not paid in time.

The Chairman: You mean that the rates will increase if the amount is not paid on the due date?

A.—Yes. That amounts to a penal rate. The people have not got much of experience and they will not be able to know what the exact date is when they should make the payment.

Q.—In every commercial bank they pay. The sooner they learn to pay is it not the better for them?

A.—Yes. But they are never in a position to do that. Even assuming that they are doing that, the co-operative societies are only lending small sums of money up to Rs. 1,000 to the people.

Q.—You are talking of the poor people and surely one thousand rupees would be a great deal to them. Would it not?

A.—But where is the security to offer? When a man wants a loan from the co-operative society he has to go to the secretary, the chairman and the treasurer and all this takes a very long time. But if on the other hand he approaches the private money-lender while he is on the road, the money-lender gives him the amount immediately and takes a pro-note from him on the spot.

Mr. Muthiah Chettiar: It is said that compound interest should be prohibited. Supposing a law is passed to that effect, how will the people receive it?

A.—If compound interest is not allowed where is the money to be spent for the realization of it and there can be no augmentation of the capital in that event.

Q.—Do Chettis get blank pro-note signed by the parties?

A.—The parties will now be in a position to teach the Chettis.

Q.—Are the deposit receipts now issued by the Chettis stamped?

A.—No stamps are required under the law for fixed deposits and current deposits. But when the money has to be repaid the stamp has to be affixed and there should be an endorsement.

Q.—Do you know anything about the land record system obtaining in the Federated Malay States?

A.—Yes. If we have such a system in India we can do much business even in India.

Q.—What is that system?

A.—There is a land record office. In the record is noted the title deed either for lease or purchase. Every transaction made by the people must be notified to the notary public and then sent to the land record office for entry therein. As an instance if I take the title deeds for lands on which I give loans to a certain person repayable within three months and he makes default, I send a notice to him asking him to make the repayment within such and such a day and the notary public sends a notice to the land record office and afterwards they dispose of the property and pay the amount within a certain period.

Q.—What is the period within which you can realize?

A.—Three or four months.

Q.—In India how long will it take to realize the money lent on mortgages?

A.—About 20 years.

Mr. Thomas: But is that the normal period?

A.—In contested cases the money cannot be realized at least before the lapse of 15 years. There are some other difficulties also.

Q.—Have you not got the same difficulties in Burma?

A.—There are no such difficulties in Burma, because in towns we have got the title deeds and in the jungles the people have not taken to concealment.

Mr. Muthiah Chettiar: It is said that for the income derived in business in foreign countries like the Federated Malay States and Indo-China, it is only the money remitted to India that could be taxed to income and it is suggested by somebody that even when the money is not remitted to India the profits in the foreign place should be taxed irrespective of the fact whether the money is remitted to India or not. What is your opinion?

A.—They charge a different kind of tax there. After that if you charge here also, it will mean a double charge on each income. Firstly we pay a different kind of tax in the Federated Malay States and Indo-China and if we bring the money here you will be charging income-tax.

Q.—Is there any income-tax in Indo-China?

A.—There is a different kind of tax there.

Q.—Is there income-tax in Ceylon?

A.—No. In Indo-China they charge very heavy *pattandu*, which means licence.

Q.—What connexion will the indigenous bankers have with the Central Bank to be established in India?

A.—Very little.

Mr. Thomas: What is the rate of interest that you realize by lending money in Burma?

A.—It will be never more than 15 per cent.

Q.—There was a statement in the newspaper called 'Oolijan' that the ordinary rate of interest charged by Chettis in Burmese villages is 18 per cent. Is it true?

A.—That may be in rare cases. But ordinarily they get only 15 per cent.

Q.—Is it not true that the rate of interest is higher in Burma and Federated Malay States than in India?

A.—Of course it is higher and consideration should be had to the heavy expenses that have to be incurred there.

Q.—Do the Nattukottai Chettis store wealth in the shape of jewellery? To what extent?

A.—I told you that they have invested about three or four crores of rupees.

Q.—Is that money properly invested?

A.—But the people want to wear the ornaments.

Q.—But are they all really worn? Do you not think that if all those were converted into liquid assets you will be able to give more money to the agriculturists?

A.—Yes. If the business is going on thoroughly, nobody will keep the money in the form of ornaments.

Q.—Is not jewellery dead capital? Does any one gain by such capital?

A.—The people want to wear it and hence there is the necessity for the ornaments and it cannot be said to be kept idle.

Q.—Suppose the Government issue gold certificates and undertake to keep the jewellery in a safe place. Is this likely to attract the hoards of gold?

A.—What is the use of keeping jewellery if it is not for wearing? If it is not worn certainly it can be sold and the money can be utilized without there being any gold security.

Q.—I do not mean jewellery merely, but all gold holdings. If gold certi-

Q.—I do not mean jewellery merely, but all gold holdings. If gold certificate, will it not?

A.—There is no necessity for gold being kept with the Government.

Q.—What is the extent of gold hoards in Chettinad?

A.—They do not keep much in the shape of gold. But they will have gold in the shape of ornaments such as bangles and other jewels.

Q.—Is not much money spent in building palatial houses in Chettinad? Is it a useful investment?

A.—The people are building houses according to their needs.

Q.—Can you maintain that for actual needs such large houses are needed? Is it not so much dead capital?

A.—By means of education the people are coming to realize by and by that it is not a wise sort of investment.

Q.—Did not a certain number of Chetti banks fail a few years ago?

A.—Yes.

Q.—What were the causes of their failure?

A.—The causes are various. They may have incurred some loss and without revealing that they may go on borrowing and paying interest. This will ruin them.

Q.—All the failures were due to the same cause?

A.—I was only giving one instance.

Q.—Was it due to speculation to any extent?

A.—Yes. Paying interest without income, the higher payment of the income-tax are also the causes. Some of the firms have stopped their business on account of the heavy income-tax.

Mr. Gopala Menon: Is it due to income-tax or super-tax?

A.—Due to both. I want to make a few more suggestions. I have already told you about the stamp duty on bills and the Insolvency Act. The Pawn Act giving licence to certain people only to obtain security of jewels should not be brought into India.

The Chairman: What is your objection to pawn-broking?

A.—If the Pawn Act is passed, only certain licensed people will have the monopoly of lending against the security of gold and we will not have the opportunity of lending against gold also.

Q.—You mean it will restrict your business?

A.—Yes. In Malay States it is restricting our business. The Land Alienation Act also should not be passed.

Mr. Thomas: There is no such Act in existence in Madras.

A.—It should not be brought here. That is what I want to say. In Burma it exists.

The Chairman: Have you any more suggestions to make?

A.—The summary system of trial should be introduced into the mufassal.

Q.—You think it would be a great convenience?

A.—Yes. It will be convenient both to the bankers and to the ryots. There is a provision in the Civil Procedure Code under which the negotiable instruments could be executed and the money obtained within six months. But what obtains nowadays is whenever a suit is filed, the defendant is given the right to defend himself if he has any special reasons and it takes six years and occasionally even more before the banker gets the decree and is in a position to get the money. But by the time he gets the decree the debtor may have failed in which case the banker would get nothing.

Q.—Have you any other suggestion?

A.—There should be the Bankers' Evidence Act. The bankers should not be asked to bring all their books to the court but they should be allowed to produce the copies. Otherwise their transactions will become public and will lose their confidential nature. Again if we were to keep two sets of books one for production in court and one for use in the office, then it will involve a double expenditure with reference to the establishment. But what can be done is to take the original and the true copy of the extract to the court and after verification there to be allowed to leave the copy in the court and to take back the original.

Mr. Muthiah Chettiyar: What do they do now?

A.—The court wants all the books to be taken to the court and left there.

The Chairman: Do you not keep a duplicate set of books?

A.—That will mean double expenditure.

Mr. Muthiah Chettiyar: What is the remedy that you would suggest?

A.—If any books are required to be produced before the court, an extract alone should meet the requirements.

The Chairman: Who is to prepare the extract?

A.—The owner of the books. He may take the extract and the original and produce both and after verification he should be allowed to take back the original.

Q.—Can he not do that even now?

A.—That he can do only in Burma and elsewhere but not in India.

Q.—Is not the law the same both for India and for Burma?

A.—But here the courts compel us to produce the books before them.

Q.—You should certainly produce them, should you not?

A.—Yes. But the difficulty arises because the courts want us to keep our books there. Even now there are thousands of books locked up in the courts and some of our books get lost. Further, a lot of people go through all our accounts and all confidence in regard to them ceases to exist.

Q.—Have you any other suggestions?

A.—The marked cheque should be allowed. Suppose I have to pay an income-tax of Rs. 3,000 at Tiruppattur from a jungle place. Instead of doing that, I can get it in the Imperial Bank of India or any other bank where I have an account by producing a cheque which will be made good for payment and will be marked so. Then it will be sent to the treasury and thus the money will be remitted.

Mr. Gopala Menon: You may have to pay in Madura but the cheque may be drawn on Madras. Do you contemplate such an instance?

A.—I mean even in the same district.

Q.—What is it that you want to be done?

A.—Now I have to pay only cash to the treasury for paying the assessment. What I want is that instead I should be allowed to get a cheque marked good by the bank in which I have my accounts and hand that over to the treasury.

The Chairman: Have you tried it? Did you present the cheque in the Imperial Bank or in the treasury?

A.—Nobody will take the cheque in the treasury.

Q.—You can pay by cheques. Can you not?

A.—In district headquarters where there are branches of the Imperial Bank of India it can be done but not in other places where there is no such branch.

Q.—Have you any other point?

A.—I want to amend the Act relating to the deposit of title deeds or the pledge of jewels. Nowadays nobody can get a list of the title deeds placed in the hands of the creditors. It is only oral now. The man who has deposited the title deeds and received money may say to-morrow that he merely placed those title deeds with the other man for safe custody and did not receive any money. Nothing is required except a list showing that such and such deeds have been given as security.

Mr. Muthiah Chettiyar: Even now they can give a letter. Can they not?

A.—But that is not being done.

Mr. Gopala Menon: But that is being done in Madras. Do you know that?

A.—But a penalty is imposed.

Mr. Muthiah Chettiyar: Do you want that to be localised?

A.—Yes, to avoid the difficulties.

Q.—You want the nature of the collateral security now found in the City of Madras to be extended throughout the Presidency. Is it not so?

A.—Yes. Then we can do a very large business even in India.

Mr. Gopala Menon: Do you recognize that the Government will lose a great deal by way of stamp duty?

A.—No. The trade will expand and plenty of tax will come to the Government.

(The witness then withdrew.)

Tuesday, 28th January 1930.

MADURA.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

Messrs. LILA RAM NARAIN DOSS and PAHALAJANI.*

Oral evidence.

The Chairman: May I know what is the nature of your business? Are you carrying on Multani banking?

A.—Our business is mainly that of money-lending on the lines of the Imperial Bank and other banks.

Q.—To what sort of people do you generally lend?

A.—Mostly to merchants and traders.

Q.—What are they doing with the money?

A.—They are carrying on their trade.

Q.—Do you confine yourself to any particular line of trade?

A.—We supply money to every line of business.

Q.—On what security do you generally lend?

A.—We advance money on the personal security of the individual. That means, we make enquiries about him as to whether he is honest, prompt in repayment and that his business is sound, and then advance money to him.

Q.—From whom do you get money?

A.—We have got our own money. We have our own proprietors in Bombay and they supply us money whenever we require.

Q.—You therefore get money from your own community?

A.—Yes.

Q.—Do you get any deposits?

A.—We also take in deposits, if they are beneficial, but not to any very great extent.

Q.—Up to what period do you generally lend?

A.—We give short loans repayable within three months. We advance money also on negotiable instruments, on hundis, etc. In case the party is very sound, we advance money repayable in six months also.

Q.—Do they repay you on the due date?

A.—Generally they pay on the due date. Sometimes they fail also. But to those who fail we will not advance any further sum.

Q.—What do you do in the case of the defaulters?

A.—We give them some more time. If the parties still fail to repay, we will go to court. In certain cases, the party declares himself insolvent also.

Q.—Why do you not specify the days of grace in your hundis? Is that the ordinary practice in the case of hundis?

A.—Here the people are in the habit of paying the money even before the due date. Days of grace are here unknown. If that system is only introduced, they will attach a lot of meanings to it. Besides when we deduct in advance, we have to deduct interest also for nine days. That means that the bill is payable even without the days of grace. In a majority

* For written evidence—vide pp. 113—117 and 171—175 of Volume IV.

of cases, the party does not give us interest for those three days. I may also state that the Imperial Bank too does not give three days grace. They charge interest for those days also, and the words 'days of grace' are only in name. The above is one way of advancing money. There is another way of advancing money, and that is by a demand promissory note.

Q.—Do you do any business on trade bills?

A.—We do no business on that. Our main business is confined to hundia only.

Q.—Do you advance any money on the particular goods shipped?

A.—That also we do. On such documents also we lend. We get those documents into our hands. That will be in the form of a demand draft payable after 30 or 40 days as may be the understanding between the parties. Those demand drafts are also discounted with us and we send them for collection or re-discount them with the Imperial Bank here.

Q.—What are your rates of interest?

A.—The rates of interest we charge on the moneys lent by us vary according to the rate at the Imperial Bank. We generally charge 2 to 4 per cent more than the Imperial Bank.

Q.—The Imperial Bank rate varies from 5 to 8 per cent and occasionally to 9 per cent also, is that not so?

A.—Yes.

Q.—Have you ever charged 4 or 5 per cent more than the Imperial Bank rate?

A.—No, we have never. We charge only 2 to 4 per cent above the Imperial Bank rate.

Q.—Do you work in conjunction with the Imperial Bank?

A.—Yes.

Q.—Do you keep large amounts yourselves?

A.—We have large funds of our own. If on occasions we require money we discount these bills with the Imperial Bank.

Q.—Do you keep your cash in your house or do you put it in the Imperial Bank?

A.—We utilize our balance in our transactions. It is only in the slack seasons, when we have more surplus money than usual that we keep our money in the Imperial Bank at Madras and Bombay, and that too for a short period. But in busy seasons we do not do that.

Q.—Have you got anything to say about the Imperial Bank?

A.—The Imperial Bank competes with our business to a very great extent. Our relations have been far from satisfactory. They have vast resources behind them and to compete with them is impossible. Whenever we go to them for discounting our bills, they learn the name of the parties themselves and directly approach them, and offer them a lower rate of interest. This stands very much in the way of our progress and all efforts to bring the parties to our side proves futile when the Imperial Bank intervenes.

Q.—I take it that you object to the Imperial Bank's directly doing business with the people?

A.—Yes.

Q.—On what grounds do you object to that?

A.—Because it is we who advance money to our party on his personal signature. The Imperial Bank requires two signatures, and naturally a party who has nobody else to give joint security cannot get any money at all from the Imperial Bank. On the other hand we undertake risks, and if the party fails, the only course for us is to lose the money. While such is the case, the Imperial Bank's interference and its offer at a lower rate of interest is a serious obstacle to our progress.

Q.—Do you not think that your party benefits by direct dealings with the Imperial Bank? On what grounds can you say that the Imperial Bank is competing with you? Is there not competition on both sides?

A.—I may state that we are only very small bankers. The Imperial Bank is a very large bank and it is impossible for us to compete with them. On the other hand they are offering a lower rate of interest and attract all business. They are thus cutting short our business.

Q.—Are you not trying to cut short their business? I should think the competition is on both sides?

A.—Surely not, we are not competing with them. In fact we cannot. We take much trouble to convince our parties to have dealings with us and give them all facilities. When all this is done, the Imperial Bank learning their names and addresses, go to the parties direct and influence them to have direct dealings with them.

Q.—Is it your argument that there is no competition on both sides?

A.—I say there is unfair competition.

Q.—Is not the Indian Bank also competing with your business? Then why do you complain of the Imperial Bank alone?

A.—The Imperial Bank is the largest concern in India. With the Government money and Government support at its back, it has always got an excess of money throughout the year. But that is not the case with the Indian or any other bank. They will have excess only at certain part of the year, and during that period they will do their own business. In my opinion they are not so much an obstacle in our progress.

Q.—Is there any other point you wish to say with reference to the Imperial Bank?

(At this stage the witness handed over a memorandum prepared by their association at Challapur in Bombay in answer to the questionnaire of the Bombay Provincial Banking Enquiry Committee, to the Chairman and continued.)

A.—We have got here a printed report submitted by our association to the Bombay Provincial Banking Enquiry Committee. There the points that we wish to make with reference to the unfair competition between the Imperial Bank and ourselves are clearly specified.

Mr. Thomas: You do no agricultural business?

A.—No; the conditions of agriculture are quite different here.

Q.—You are mainly financing the trader?

A.—Financing all kinds of trade.

Q.—Do you finance any industries?

A.—No industries; in industries may be included yarn dyeing, cloth-making and knitting. We help them.

Q.—You said that you are bankers like the Imperial Bank of India. Is taking deposits a part of your business?

A.—We do not take generally deposits.

Q.—Do you allow your clients to draw amounts upon you by cheque?

A.—Yes; they send letters.

Q.—Do you supply cheque books?

A.—No.

Q.—Are you aware that, by definition, a banker is one who takes deposits, subject to withdrawal by cheques?

A.—But that is not prevailing in our line of business.

Q.—In that case, do you strictly come under the category of bankers?

A.—But that is not prevailing here. There are only limited firms and concerns doing it.

Q.—Can cheques be used only by limited companies? Private bankers can use them, can they not?

A.—Such people who accept deposits carry on business and I believe allow their customers to draw their amounts by cheques.

Q.—Suppose I have deposited some money with a bank. Without sending them a letter or messenger, I could give my creditor or tradesman a cheque in payment, and thus much inconvenience is avoided. That cheque will finally be paid by the bank, and the transaction will be closed. You are not carrying on such transactions?

A.—We have got such transactions.

Q.—Your transactions, I understand, are mainly to create and discount hundis, and in that you are like a middleman standing between the Imperial Bank and the businessmen outside. Is it not so?

A.—Yes; besides that we draw hundis payable at Madras.

Q.—At what rate of interest do you discount hundia?

A.—At the current rate.

Q.—Do other classes of bankers discount hundis at that rate?

A.—Marwaris also discount at the same rate as the Imperial Bank.

Q.—Do they? I should not have thought so.

A.—It is due to our financial position and status.

Q.—How is it?

A.—Because they know our position and that we are remarkable in that business.

Q.—How is it that the Marwaris are not getting the same privileges?

A.—They have got also some privileges but not so much.

Q.—They are also substantial people. They deal in lakhs. How is it that they discount hundis on less favourable terms?

A.—Because we have been doing this sort of money-lending business for a number of years. We lend money more honourably. They charge a higher rate of interest. We look to the party and the safe return of money.

Q.—What is the exact nature of your dissatisfaction with the Imperial Bank?

A.—They try to cut short our business. The Imperial Bank in the earlier days could not deal directly with the parties because they do not know them.

Q.—And naturally too, when the Imperial Bank had less knowledge of local businessmen it required the help of middlemen; but now it knows its customers better, why should it not deal directly with the local businessmen if really it does?

A.—They don't know about the position of parties.

Q.—Then they must be risking their funds?

A.—Seeing our business with the parties they think why not we also do some business.

Q.—Do the parties benefit by that; that is my question?

A.—So far as interest is concerned they are benefited. In the end they have got heavy losses in the last so many years. You will find that there are many failures in Nattukottai firms because of joint signature.

Q.—Why do these firms fail?

A.—These people are doing business outside India at a heavy rate of interest and their parties may not be solvent. If those parties fail, they also fail.

Q.—Why do you compete with bankers? Elsewhere people like you will only be doing bill-broking work and the bills they receive will be based on commercial transactions?

A.—That will be.

Q.—Could you not approximate to the position of the bill broker in the English money market?

A.—I do not know the state going on in England. But so far as we are concerned here my opinion is that their business is more secure if they do business with us.

Q.—Why should not a bank deal directly with merchants if such merchants deserve such direct relation?

A.—They can do it, but when they get some business through us why should they go direct to the parties? For benefiting themselves they may do so but on the contrary there are heavy losses.

Q.—That is the bank's lookout. What I want is that businessmen must get funds on easy terms?

A.—So far as interest is concerned the parties are benefited but in the end they are not benefited. We advance money to merchants and industrial people. If they can get money at a low rate of interest by that procedure, it is a better thing to do.

Q.—Really, I cannot see how you can legitimately inveigh against the Imperial Bank for dealing directly with the people. As a Banking Committee our interest is to secure for the merchants and agricultural people more resources at a lower rate of interest.

A.—They may get money at a lower rate of interest, but in the end they have got losses.

Q.—How do they lose?

A.—Two persons are responsible for the amount. Suppose two persons go together and on joint signature get money. Even though one might be a solvent in course of time he may have losses in his business. Suppose one fails, the other man is held responsible and he has to pay the whole amount.

Q.—It is not so in most cases?

A.—Both of us go to the bank. Two signatures are necessary for transaction. In that way business people get money. Suppose the party who gets money from the bank loses. The other man is held responsible and he has to pay the Imperial Bank. The Imperial Bank will be never losing.

Q.—What are your dealings with the Indian Bank at Madura?

A.—No dealings at Madura.

Q.—Is it true that your business is competing powerfully with the Indian Bank and other local indigenous bankers?

A.—Our business is not competing. It is quite on different lines. They have come to take deposits.

Q.—They are also lending to the merchants?

A.—Only to a very small extent. Their rates are low in comparison to our rates. They also are advancing, but, for the fear of two signatures people come to us.

Q.—Is that the facility you give to the customers to their advantage?

A.—Yes.

Q.—I doubt it, for facile credit is no boon, except to very cautious people?

A.—Yes. If the party is not safe we will not give money. They are advancing money on joint signatures.

Q.—Are you not really restricting the work of the local joint-stock banks?

A.—No. Because the parties will not go to the joint-stock banks on account of your giving money on joint signatures. I do not think that they are being restricted in any way. We are rather giving facilities to the general public than the Imperial Bank. We are making enquiries, we take the trouble of going deep into the matter and we take into consideration the condition and status of the party and of his personal credit rather than making the other man responsible for him.

Q.—You lend at 2 to 4 per cent above the bank rate. If the Imperial Bank is prepared to lend at a lower rate, why are you standing against that? Let them go direct and get money?

A.—We only say that those parties who have already transactions with us should not be told not to have dealings with us. But the Imperial Bank tells them not to have business with us but only with them. They will get prejudiced in discounting our bills with them.

Q.—You object to the Imperial Bank rates varying. What is your exact objection?

A.—About three or four years ago in slack season their rate of interest was 3 per cent and during busy season it was 6 per cent or 7 per cent. Now they do not reduce the rate to 3 per cent.

Q.—Does not bank rate vary in all countries according to the conditions of supply and demand for money. Is it peculiar to India?

A.—No.

Q.—Is it not always to their interest to keep the bank rate as low as possible; otherwise will they get any business?

A.—If I get more interest I will prefer it. But if they are lowering it, the other people will be lowering the rate. The bazaar rate will come down.

Q.—Is it effective? Are you in a position to make it effective?

A.—In Bombay we have got our own people. There are fifty firms. When the Imperial Bank rate was 6 per cent or 5 per cent our interest between ourselves was 3 per cent. We freely advance call money. We are giving hand loans for 3 per cent. If we have got money in excess we utilize it by giving to others at a lower rate of interest while the Imperial Bank rate is 5 per cent.

Q.—You therefore agree that there is a great deal of disparity between the Imperial Bank rate and the market rate in most parts of the year?

A.—Yes.

Q.—What is the cause for this disparity?

A.—There is no demand for money in the money market. Traders do not require money during slack season. During business they will require money. They will not take money when trade is slack. There are other classes of business where money is wanted.

Q.—In what months is trade slack?

A.—In June, July, August and September.

Q.—Is it the time when agriculturists require money?

A.—We do not know anything about cultivation.

Q.—You have got various points against the Imperial Bank. What further facilities would you require from the Imperial Bank?

A.—The facilities that we require are that the rate of interest which has increased should be from 3 to 6 per cent and that there ought to be a difference between the rate that they give to the traders and our people. We also want some profit for ourselves to manage our business and to be responsible for them.

Q.—Supposing some of these difficulties are got over by Government, will you agree to carry on business according to a prescribed plan? All banking business may be registered, terms of lending prescribed and accounts periodically audited?

A.—That has to be decided by the proprietors. We are the managing proprietors here.

Q.—What is your own opinion?

A.—We generally advance money from 2 to 4 per cent over and above the Imperial Bank rate. So far as registration is concerned we do not know the opinion of the proprietors. Whatever their opinion might be if we are given certain facilities we can come to a certain understanding as regards our profits.

Q.—Do the Multanis carry on trade at all?

A.—Very rarely.

Q.—Do they engage in speculative business?

A.—No.

Q.—Do you agree with all the recommendations of the Sind Money-lenders' Association?

A.—No.

Mr. Muthiah Chettiyar: You say that deposits at 3 to 6 per cent interest are available. Are you able to attract deposits at that rate?

A.—In rare cases.

Q.—Do you get fixed deposits here from 3 to 6 per cent interest?

A.—It is not fixed deposits, but current deposit.

Q.—What interest do you pay roughly?

A.—We have different terms for different parties.

Q.—Do you get large amounts like that?

A.—Not very large amounts. We keep such accounts in order to give the merchants facilities. We pay them interest from 3 to 6 per cent.

Q.—Is there amount like Rs. 10,000 deposited with you in that way?

A.—It is in this way, suppose a merchant sells goods every day then he deposits the daily collections with us. Some days afterwards he may have to meet a hundi on Bombay or so and then he withdraws the whole money.

Q.—How many Multanis are here in Madura?

A.—Four.

Q.—What is the total volume of bills discounted by all the Multanis here in a year? How many lakhs of rupees bills are you allowed to discount with the Imperial Bank?

A.—We cannot answer.

Q.—It is said that the Multanis do not take advantage of the Imperial Bank system of discounting bills at different places. Why do you not discount bills originating in Madura in Madura itself?

A.—We send it to our head office. We do not require money here.

Q.—You say that you send it to your head office in Bombay and they may or they may not discount it with a bank there. Is it not?

A.—Yes. That is the object.

Q.—Or is it that you get favourable rates at Bombay?

A.—No, the Imperial Bank rate of discount is the same all over India.

Q.—Does the Imperial Bank have a hundi rate besides the official bank rate?

A.—Both rates are the same.

Q.—Are there not instances in which they are different?

A.—Yes, if the Imperial Bank rate changes to-day the hundi rate may change two or three days afterwards. But soon the lower rate is increased to the higher rate.

Q.—You were saying that the Imperial Bank should not compete with you and you have suggested in your memorandum that these bankers may be appointed as guarantors of the bank. Now there are four Multanis here. Whom do you want to be appointed as guarantor to the bank or do you want all of them together to be appointed as guarantors?

A.—One.

Q.—Then will there not be the same complaint by the other three. Then there are the Chetti firms. Why not appoint them?

A.—In Colombo they have one system. One man is appointed as a broker and all business is done through him.

Q.—But there is not such a thing in the Imperial Bank, Colombo.

A.—About Imperial Bank, Colombo, I am not sure but they have that system in the Eastern Bank, National Bank, etc.

Q.—There it is the cashier that is doing it. Here you suggest that if you are appointed as the middleman the disadvantage will be removed. My point is this, is there not a practical difficulty?

A.—We will solve that difficulty. That guarantor will not do business with the parties direct, he will only deal as middleman. He will guarantee the business of other Multanis also.

Q.—Do you allow cash credits?

A.—Yes.

Q.—What security do you take?

A.—On the top of the account book a 4-anna stamp will be affixed and the man will have to sign. The terms also will be written.

Q.—What interest do you charge?

A.—Between 8 and 12 per cent.

Q.—You say that your discount rate is 2 to 4 per cent above the bank rate. What is your total or net yield?

A.—It will be from 7 to 8 per cent provided there are no losses.

Q.—Do you have much losses here?

A.—We have losses at times.

Q.—What are the causes?

A.—There is competition in every line of business and this is the main cause for the failures.

Q.—Do people resort to insolvency proceedings?

A.—Yes, so many.

Q.—Do you allow more than 90 days' bills?

A.—Yes.

Q.—Up to six months?

A.—Yes.

Q.—You have said that you pay your agents as share of the profits. Why do you not adopt the system of pay? Will it not work?

A.—If we have the share system it will give more incentive to the agent to work and get better profits.

Q.—What is your opinion of stamp duty on bills? It is now one and a half annas?

A.—It should be reduced as much as possible. Generally our hundis are for three months and that means half-anna per month which is too much.

Q.—What is the proportion of your capital to your borrowings?

A.—That we cannot give.

Q.—You say that the Imperial Bank sometimes refuses overdrafts suddenly. Can you give instances?

A.—Yes.

Q.—You have mentioned about delays in court. What are the remedies you suggest?

A.—Suits where negotiable instruments are concerned should be dealt with by summary procedure. Our cases should be heard at once. Moreover the stamps on negotiable instruments and hundis should be reduced and unstamped instruments should be admitted in evidence on payment of stamp duty and penalty.

(The witness then withdrew.)

Wednesday, 29th January 1930.

MADURA.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (Chairman).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur V. HAMEED SULTAN MARICAIK SAHIB Bahadur.

M.R.Ry. S. N. SUBBA AYYAR Avargal, Banker, East Masi Street, Madura.

The witness presented the following written evidence to the Committee:—

1. இந்தியாவில் ஓரிந்த குடும்பத்தில் வர்சு பாத்ரியம் இப்பொழுது இருக்கிறபடி இருக்கும் வரையில், பெரிய estate களாவது, பெரிய agricultural farm களாவது ஏற்பட நியாயமில்லை. அதனால் பெருந்தகைகள் வியவசாயத்துக்காவது நிலங்களின் சீர்கிருத்தத்துக்காவது தேவைகள் வெளிவருகிறதில்லை. இப்பொழுது சொத்துகள் bit bit ஆய் சிறு சிறு holding ஆயிருக்கிறது. குடியானவர்களும் நிலஸ்வான்களும், முக்கியமாய் அதிகமாய் “பண லேவாதேவி” செய்கிறவர்களிடம்தான் கடன் வாங்குகிறார்கள்.

2. இந்த ஜில்லாவில் வரக்கூடிய மகசூல்கள் எல்லாம், திண்டுக்கல், மதுரை, விருதுநகர் முதலிய முக்கியமான பட்டணங்களில் கமிஷன் வியாபாரிகள் மூலம் விற்கப்படுகின்றன. மகசூல் காலத்தில் கிராமங்களிலேயே சிறிய வியாபாரிகள், விலைகொடுத்து வாங்கி அதைப் பட்டணங்களில் கொண்டு வந்து விற்கிறார்கள்.

3. Bill ௬௭-ன் பேரிலுள்ள stamp duty ஐ எடுத்த விட்டால் வியாபாரம் ஜாஸ்தியாய் பெருக இடமிருக்கிறது.

4. இந்த பக்கங்களில் தெரிசனை உண்டியல்கள், தவணை உண்டியல்கள், நடப்பு வட்டி உண்டியல்கள் இவைகள் பழக்கத்திலிருக்கின்றன. தெரிசனை உண்டியல்கள் காட்டியவுடன் பணம் கொடுப்பது. தவணை உண்டியல்கள் தவணைப்படி பணம் கொடுப்பது.

5. நடப்பு வட்டி உண்டியல்கள்.—இந்த உண்டியல்கள் சாதாரணமாய் நகரத்தார்களில் (அதாவது நாட்டுக்கோட்டை செட்டி பிள்ளைகளால் தான்) உபயோகிக்கப்படுகின்றன. நகரத்தார்கள் வியாபாரம் செய்யும் முக்கியமான இடங்களில் ஒவ்வொரு மாசத்திலும் வட்டி தீர்ணயம் செய்கிறார்கள். அந்த வட்டிக்கு அந்த ஊர் நடப்பு வட்டி என்று பெயர். ஒவ்வொரு ஊரிலிருந்து எழுதும் நடப்பு வட்டி உண்டியல்கள் அந்தந்த ஊர் நடப்பு வட்டியுடன் கொடுக்கும்படி எழுதப்படும். நகரத்தார்கள் தெரிசனை உண்டியல்களைவிட இவை தான் ஜாஸ்தியாய் உபயோகிக்கிறார்கள். இந்த உண்டியல்கள் கேழ்க்கும்பொழுது கொடுக்கும்படியும் இல்லை. ஒரு fixed time ல் கொடுக்கும்படியும் இல்லை. அதனால் ஸ்டாம்பு சட்டப்படி குறையிருக்க இடமன்னியில் இதை legal instrument ஆகச் செய்யவேண்டியது ரொம்ப அவசியம். நடப்பு வட்டி உண்டியலின் மாதிரிகாப்பி ஒன்று இத்ததுடன் அனுப்பி இருக்கிறது.

6. நில அடமானத்தின்பேரில் தீண்ட தவணைக்குத் கடன் கொடுக்கக் கூடிய பாங்குகள் இல்லை.

Indigenous banking.

1. இந்தப் பக்கங்களில் Private bankers அநேகர் இருக்கிறார்கள். அவர்கள் சாதாரணமாய் banking சம்மந்தமான எல்லாவேலைகளும் செய்கிறார்கள்.

2. சதேச பாங்கர்கள் அவர்களுக்குள் அந்தந்த இடத்தில் ஒருவருக்கொருவர் ஏஜண்டுகளாய் வேலைபார்த்து வருகிறார்கள்.

3. இந்த சதேச பாங்கர்களுக்கு, Banker என்ற நிலமையில் Imperial bank லாவது, வேறு Joint Stock bank லாவது ஒருவித சலுகையும் காட்டப்படுகிறதில்லை.

4. இந்த சதேச பாங்கர்கள் உண்டியல் (அதாவது Bill of exchange), செக்கு முதலியது joint stock bank மாதிரியாகவே உபயோகிக்கிறார்கள். ஆனால் பெரும்பாலும் தமிழ்ப்பாஷையில் உபயோகிக்கிறார்கள்.

5. Cash credit கணக்குகளை நடப்பு பம் நவரவில்லதான் செய்கிறார்கள். அதற்காக பாங்குகளைப்போல் joint pro-note எழுதி வாங்குவதில்லை.

6. இவர்கள் பொதுவாய் single signature ல் தான் கடன்கொடுத்த வருகிறார்கள்.

7. இவர்கள் deposit க்கு கரண்டு டிபாலிட்டெக்கு 5 to 7%, fixed deposit க்கு 6 to 9% வரையிலும் வட்டி கொடுக்கிறார்கள்.

8. இந்த பாங்கர்கள் வெளியில் 9% முதல் 15% வரை வியாபாரிகளுக்கும் நிலசவான்களுக்கும் கடன் கொடுக்கிறார்கள்.

(i) கோர்ட்டீஸ் ஏறிப்போனது.

(ii) கோர்ட்டில் டீக்கரி வாங்கவும் execution ல் ஏற்படும் தாங்கமுடியாத தாமதம்.

(iii) கோர்ட்டில் ஏற்படும் அனாமத்த சிலவுகள் (அதாவது டீக்கரியில் சேர்க்கமுடியாத சிலவுகள்).

(iv) Insolvency நடவடிக்கைகளில் வாதியைவிட பிரதிவாதி அணுகுமடைவது.

(v) வெளி டிபாலிட்டெக்குப் பொதுவாய் வட்டி கூட்டிக்கொடுப்பது.

(vi) வெளியில் joint stock bank களில் வட்டி கூட்டிக்கொடுத்த வாங்குவது.

(vii) Single signature ல் security ஆன்னியில் கடன் கொடுத்த risk எடுப்பது. இந்த காரணங்களால் அவர்கள் கொஞ்சம் ஜாஸ்தி வட்டி வாங்கி வருகிறார்கள். மேலேகண்ட அசவுகரியங்கள் நீங்கும்பொழுது அவர்களும் வட்டியை குறைப்பார்கள். இப்பொழுதிற்குக்கும் முறையில் அவர்கள் ரொம்ப குறைந்த margin ல் வேலை செய்கிறார்கள்.

(viii) Joint stock bank கள் எல்லாவு ஏற்பட்டாலும் சதேச பாங்கர்களை கிருத்தியாகச் செய்வதுதான் பொதுஜனங்களுக்கு நல்லது.

(a) டிபாலிடர்களுக்கு ஜாஸ்தி வட்டி கிடைப்பது.

(b) கடன் வாங்குகிறவர்களின் சவுகரியம் அசவுகரியம் தெரிந்து கடன் வாங்கினவரின் சவுகரியப்படி பணத்தை திரும்பப்பெறுவது.

இந்தக் காரணத்தால் டிபாலிட்டர், கடன் வாங்குகிறவர், இரண்டு தரப்பாருக்கும் அனுகூலமாயிருக்கிறது.

9. இந்த பக்கத்தில் சதேச பாங்கரிடம் வீரோத உணர்ச்சி கிடையாது.

10. Court களில் தீர்ப்பு, execution முதலியதில் ஏற்படும் காலதாமஸத்தை யும், Court பவுண்டு முதலிய கடன்களை ரொம்ப குறைப்பது. கோர்ட்டுகளில் இவர்கள் கணக்கு புத்தகங்கள் முதலிய ரிகார்டுகளை போட இடமன்னியில் இவர்கள் அவைகளின் கார்டுகளை அனுப்பினால் போதும் என்று சட்டத்தை திருத்தவது.

Imperial Bank முதலிய Bank கள் அல்லது ஸர்க்கார்களின் பாங்குகள், இவர்களுக்கு சகாயமான வட்டிக்குக் கடன்கொடுப்பது, சகாயமான கமிஷன்களில் draft முதலியது discount செய்வது, draft முதலியது கொடுப்பது, இந்த மாதிரி சவுகரியம் செய்துகொடுத்தால் இவர்கள் வியாபாரத்தை விருத்தி செய்வார்கள். ஒவ்வொரு கிராமத்திலும் கிளைகள் வைப்பார்கள்.

11. பணம் எடுப்பது பணம் கொடுப்பது இவைகளில் joint stock bank கிளைவிட இவர்களிடம், depositor க்கும் borrower க்கும் சவுகரியம் ஜாஸ்தி.

12. இந்த வகுப்பாருக்கு குறைந்த வட்டிக்கு பணம் கிடைக்க ஸர்க்கார் பாங்குகளில் ஏற்பாடு செய்வது.—(1) அவர்கள் கொடுத்த பணத்தை வசூல் செய்வதில் சவுகரியம் செய்து கொடுப்பது, (2) இந்த இரண்டு விதத்திலும் சவுகரியம் செய்து கொடுத்தலிட்டு பிரகு அவர்கள் வியாபாரத்தை ஒழுங்கு படுத்தவும் பிரசித்தப்படுத்தவும் சட்டமூலம் ஸர்க்காரில் ஏற்பாடு செய்தால் அவர்கள் அதை சந்தேகமாய் ஏற்றுக்கொள்வார்கள். ஒரு வித சவுகரியமும் செய்யாமல் அவர்களை திர்ப்படுத்தப்படும்படியான சட்டம் மட்டும் செய்தால் இந்த வகுப்பார் தின்றுபோவார்கள்.

13. சதேச பாங்கர்களுக்கு எல்லாவித சிலவுகளும் கழித்து சமாளாய் அவர்கள் வியாபாரத்தில் உபயோகிக்கும் தகைக்கு 100-க்கு 2% to 3% per annum வீதம் வரை லாபம் கிடைத்துவருகிறது.

14. இவர்கள் தங்கள் முதலுக்குத் தக்கபடி கடன்கொடுத்த வருகிறார்கள்.

15. செக்குகளுக்கு ஸ்டாம்பு திறத்தியதினால் பாங்கு பற்று வரவு ஜாஸ்தியாயிருக்கிறது. அதுபோல் தவணை உண்டியல்களுக்கும் ஸ்டாம்பு திறத்தினால் இனிபும் வேவாதேவி வியாபாரமும் பெருக இடமுண்டு.

16. வியாபார பழக்கத்திலுள்ள எல்லா ஆதரவுகளும் சதேச பாணையில் இருந்துவந்தால் பாங்கு பற்று வரவுகள் ஜாஸ்தியாகும்.

17. Imperial Bank கிளைகள் district centre களில் ஏற்பட்டதினால் வியாபாரிகளுக்கு அனுகூலம்தான். Imperial கிளை ஸ்தாபனங்களுக்கு அந்தந்த இடங்களில் Local Advisory Board ஏற்பட்டால் ஜனங்களுக்கு இப்பொழுது இருப்பதைவிட ஜாஸ்தி அனுகூலம் கிடைக்க வழியுண்டு.

18. Imperial Bank ல் வட்டி போடுவதில் மார்வாடிகளுக்கும் நகரத்தார் களுக்கும், மற்றவர்களுக்கும் வித்தியாசமாயிருக்கிறது. அது திறத்தப்பட வேண்டும்.

19. ஜனங்களிடையில் பணத்தை வட்டிக்குப்போடும் வழக்கம் விரித்தியாகிவருகிறது ஜாஸ்தியாய் விரித்தியாகாததற்கு காரணங்கள் முக்கியமாய் படிப்பிற் குறைவுதான். அதிகப்படியான காரணங்களாக பணத்தை வசூல் செய்யும் வகையில் ஏற்படும் சிரமம், சிலவு இவைகளைச் சொல்லலாம்.

20. தங்கமாயும், தங்கநாணயமாயும் சேர்த்து வைக்கும் வழக்கம் வர வர குறைந்துவருகிறது.

21. கடன்கொடுத்த பணத்தை சீக்கிரமாய் வசூல்செய்வதற்கு Summary suit நடவடிக்கைகள் தடந்த mufassal கோர்ட்டுகளுக்கு அதிகாரம் கொடுக்கலாம்.

22. Title-deed களின் பேரில் கடன்கொடுக்கும் சட்டத்தை mortgagor க்கும் அமுலுக்கு கொண்டுவரலாம். அதிகூல் சிலவன்னியில் கடன் கிடைக்கும்.

முத்துமாரியம்மன் துணை.

பெ. ரி. ச. ரூம.

P. B. S. RM.

1930 ம் ஆண்டு ஜனவரிமீ 21உ, சீழ்ச்சிவல்பட்டி ச. அ. ச. வரவு. பெ. ரி. ச. ரூம. பற்று ரூ. (து); இந்த ரூபாய் ஆயிரத்துக்கும் நாளது தேதி முதல் ரெங்கோன் நடப்பு வட்டியுடன் ஷையர் ஆர்டருக்கு இதகொண்டுவந்தார் வசம் கேழ்க்கும்போது ரெங்கோன் பெ. ரி. ச. ரூம. கருப்பஞ் செட்டியார் பணம் கொடுத்து இதில் செல்லுடன் யிவடம் பத்தெழுதிக்கொள்ளவேண்டியது.

சுக்கவநு),
ஹைதர்,
அவ

இப்படிக்கி,
பெ. ரி. ச. ரூம.

(Translation.)

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

1. So long as the Hindu Law of Inheritance continues to be as it is, there is no possibility of big estates or agricultural farms springing up. Therefore the need does not arise for large sums of money either for cultivation expenses or for improvement to land. At present the holdings are very small. The ryots and the landholders borrow chiefly from the money-lenders.

2. The produce of this district is sold through commission agents in Dindigul, Madura, Virudunagar and other important towns. The small merchants go to the villages at the time of the harvest, get the produce on payment of money and sell it in towns.

3. If the stamp duty on bills is abolished there will be scope for expansion of trade.

4. In these parts, dharsana hundis, tavanai hundis and nadappu hundis are prevalent. Dharsana hundi is payable at sight. Tavanai hundi is payable at the time mentioned in the hundi.

5. *Nadappu hundis*.—These hundis are in use only among the Nagarathars, that is, the Nattukottai Chettis. In the chief places where the Nagarathars have business they give the rate of interest for each month. That rate is called the nadappu rate for that place. For hundis sent from certain localities, the respective local nadappu rates will be required to be paid. The Nagarathars use these hundis more than they do the dharsana hundis. These hundis are neither made payable on demand nor are they payable within a fixed time. Therefore it is absolutely necessary that these should be recognized as legal instruments to avoid them from lacking in any thing under the Stamp Act. A sample of the *nadappu hundi* is attached herewith.

6. There are no banks for giving long-term loans on the security of land.

II.—Indigenous banking.

1. In these parts there are many indigenous bankers. Generally they attend to all matters connected with banking.

2. As among themselves the indigenous bankers in one place act as agents for the others in another place.

3. No facilities are afforded to these indigenous bankers as bankers either by the Imperial Bank or by the joint-stock banks.

4. The indigenous bankers use bills of exchange, cheques, etc., just as the joint-stock banks do but mostly they are in the vernacular.

5. Cash credit accounts are entered only in their account books as current transactions and no joint pro-notes are obtained as are done by the joint-stock banks.

6. Generally they issue loans on individual security.

7. They give interest on current deposits at 5 to 7 per cent and on fixed deposits at 6 to 9 per cent.

These bankers lend at the rate of 9 to 15 per cent to merchants and landholders.

(i) The enhancement of court fees.

(ii) Getting back the money lent according to the convenience of the executing it.

(iii) The miscellaneous expenses in court, that is, those expenses which cannot be included in the decree.

(iv) The greater benefit derived by the defendant than by the plaintiff in insolvency cases.

(v) The payment of high interest for deposits from outside.

(vi) Raising loans from joint-stock banks at a high rate of interest.

(vii) Taking of risks by giving loans on single signature.

For these reasons they are charging a high rate of interest. When the above difficulties are obviated there will be some reduction. But in their present stage they work with a very small margin of profit.

8. Whatever be the number of joint-stock banks that may be opened the public will derive benefit only if facilities are afforded for the expansion of indigenous bankers.

(i) The depositors getting a high rate of interest.

(ii) Getting back the money lent according to the convenience of the debtor.

As a result, both those who deposit money and those who receive money are benefited.

9. In these parts relations among the indigenous bankers are not inimical.

10. Elimination of the delay in the grant of decrees by courts and the execution thereof, reduction of the court fees in courts amending the law to enable them to produce copies of their account books as they are not in a position to bring their accounts, giving of loans to these at easy rates of interest by the Imperial Bank or Government banks, discounting and giving of drafts for small commission—if all these facilities are afforded they will be able to expand their business and open branches in the villages.

11. In regard to depositing and withdrawing money, the indigenous bankers give more facilities to both the depositors and the borrowers than the joint-stock banks.

12. If after making arrangements for the indigenous bankers to get money from the Government banks at an easy rate of interest and affording facilities for the easy realization of their money the Government by means of any enactment make certain rules for the proper conduct of the business of the indigenous bankers, the latter will have no objection.

13. The indigenous bankers are getting a net income of 2 to 3 per cent extra profit on the capital (private or borrowed) that they invest in business after deducting interest for their capital and deposits.

14. They issue loans having regard to their capital.

15. As a result of the abolition of stamp duty on cheques, the transactions in banks have increased. Similarly if the stamp duty on hundis is also abolished there is a chance for the transactions increasing further still.

16. If all the records current in the business were in the vernacular, the transactions in the banks will be on the increase.

17. The opening of the branches of the Imperial Bank in district centres is of course beneficial to merchants. There is a chance of the people getting more benefit than they now have from these branches if local advisory boards were formed in those places.

18. The rate of interest charged by the Imperial Bank is varying for the Marwaris, Nagarathars and others. This should not be allowed to continue.

19. The habit of investing money is growing among the people. The reason for its not developing rapidly is the lack of education. The other reasons may be said to be the difficulty of realization, the expenses to be incurred and so on.

20. The habit of hoarding wealth in the shape of gold and jewellery is on the decrease.

21. Mufassal courts may be empowered to conduct summary suits for the easy realization of the money lent.

22. The law relating to giving of loans on the deposit of title deeds may be brought into force in the mufassal also. Thereby loans could be raised without any expenditure.

No. 30.

Rs. 1,000.

P. R. S. Rm.

21st January 1930.

Cr.—S. A. S. of Kilachivalpatti.

Dr.—P. R. S. Rm.—Rs. 1,000.

P. R. S. Rm. Karuppan Chettiyar of Rangoon to pay the bearer on demand the sum of rupees one thousand mentioned above together with interest, at the rate current in Rangoon, from this date to the order of the abovementioned person and debit the same in our accounts with an endorsement of the payment hereon.

Dated 21st January 1930.

P. R. S. Rm.

Oral evidence.

The Chairman: You are a banker carrying on business in Madura?

A.—Yes.

Q.—You do not belong to one of the regular banking communities?

A.—I belong to the banking community.

Mr. Thomas: You are from Kallidaikurichi?

A.—Yes, in the Tinnevely district.

Q.—In your memorandum you refer to the 'nadappu' hundis. Is it not a hundi which carries interest at the current rate?

A.—Yes.

Q.—That hundi carries interest not at the rate which prevails at the time it is drawn but the rate varies from time to time. Am I correct?

A.—Yes. It will vary according to the current rate. The interest is fixed every month.

Q.—Do you deal in such hundis also?

A.—Yes.

Q.—What is the necessity for such class of hundis? The ordinary hundi does not bear any interest.

A.—But this hundi will take time and so it carries interest.

Q.—But the ordinary 90 days' hundi does not carry any interest?

A.—In the case of such hundis they deduct interest beforehand and therefore it is not shown in the hundi.

Q.—Are these nadappu hundis negotiable instruments?

A.—The nadappu hundi is neither payable on demand nor is it payable on a fixed date. It is not correct to say that it is a negotiable instrument. This has not been decided in a court till now.

Q.—It does not also specify a fixed amount. The amount payable is not stated exactly. Is it necessary that you should have such hundis?

A.—Certainly we should have such hundis. These hundis have been in use for a long time and the amount involved is very large.

Q.—Is it not confined only to this part of India?

A.—No, it is prevalent in Burma, Penang, and also in other places.

Q.—I understand that this kind of instrument is confined to the Chetti community. Am I correct?

A.—The nadappu hundis are used largely by the Chetti community.

Q.—Is there any other community that uses these?

A.—Yes, but they fix the rate of interest in the hundi itself. The other communities also write hundis but there they specify the rate of interest. But in the hundis drawn by the Chettis the interest will be changing from month to month.

Q.—How much does it change?

A.—It will change from 9 annas to 10 annas per annum.

Q.—You say that this variety of hundis should be recognized as a legal instrument. I do not quite follow the necessity. Is it necessary? What is the advantage that you get by this nadappu hundi which you cannot get by the ordinary dharsana hundi or the hundi payable at sight or after a fixed date?

A.—The benefit is this: the drawee of the hundi may pay it at his will and pleasure. Suppose a nadappu hundi is presented for payment to me and I have no money with me. Then I can ask that person to come after some days to receive payment.

Q.—Will not the 90 days' hundi serve that purpose?

A.—Suppose the man gets money on the sixtieth day. If it is a nadappu hundi he can at once pay the hundi and interest will have to be paid only till the date of payment, but if it is a 90 days' hundi then he will have to keep the money idle for 30 days more; if he pays then he will not get reduction of interest. Thus in a nadappu hundi he can pay at any time. This kind of hundi is more convenient to the merchant. The nadappu hundis drawn by other communities specify the interest, say, 9 per cent or 10 per cent and so on. One anna stamp is sufficient for the hundi and it is not payable on demand. These legal deficiencies must be corrected.

Q.—You say in your memorandum "No facilities are afforded to these indigenous bankers as bankers either by the Imperial Bank or the joint-stock banks." Do not they discount the hundis brought by the indigenous banks?

A.—Yes. The position is this: if an indigenous banker is worth, say, Rs. 10 lakhs, even then he is treated as an ordinary customer and he is given a credit of Rs. 2 lakhs or 3 lakhs. I say that if that bank is a good bank it should get a credit of Rs. 10 lakhs. There everybody is treated as an ordinary customer. There must be difference of treatment between ordinary customers and bankers.

Q.—Why?

A.—If accommodation is given in this fashion trade will increase.

Q.—Do you not think that the banker will advance as much as is safe for him and so much only?

A.—The small merchant generally does not go to the bank, but he generally goes to the indigenous banker. If the bank discounts a larger amount of bills, then trade will increase.

Q.—Is that business safe?

A.—Yes, the bank may take into consideration the credit of the drawer of the bill also.

Q.—Then why do they not now do it?

A.—The small merchants do not go to the bank now-a-days.

Q.—Why?

A.—Because there are so many formalities. It is very difficult to approach such banks.

Q.—Can you avoid such formalities?

A.—No.

Q.—Such formalities are necessary. Are they not?

A.—Only in the first stage. I have had dealings with the Imperial Bank for the last 20 years and so I do not feel any difficulty now.

Q.—Do you not think that these formalities cannot be ignored?

A.—My position is this: if you discount more bills of these indigenous bankers they will also take more bills from the small merchants and thus trade will increase. As far as safety is concerned, you can take the credit of the banker and the drawer into account.

Q.—If as you say it is a safe business why is it not done now?

A.—It is a safe business.

Q.—Then why is it not done?

A.—I cannot say.

Q.—You make a suggestion but it is not quite clear why that line of business is not done now. There must be some defect about it?

A.—What I say is now smaller merchants are not going to bankers but only to the indigenous bankers and if you give facilities to the indigenous bankers they can take in these bills and then discount such bills with the Imperial Bank of India. If the Imperial Bank gives higher credit to those bankers then trade will increase.

Q.—Is it not to the interest of the Imperial Bank to give more credit to these bankers?

A.—They are not doing so at present.

Q.—If they are unwilling to extend their credits to you there must be some other cause behind it?

A.—If the trader comes to them directly they will accommodate him. At present there is competition between the banker and the Imperial Bank. They want to deal with the trader direct.

Q.—In that case it will have the effect of cutting out the indigenous banker altogether?

A.—Certainly. At present the Imperial Bank is giving small credit of Rs. 3,000 and Rs. 5,000 to small traders.

The Chairman: Will it not have the effect of sending these tradesmen direct to the Imperial Bank?

A.—At present trade bills are very rare and simply credit bills are going on. There are no real trade bills going on.

Q.—Are all the bills accommodation bills?

A.—Yes.

Q.—Would you like the Imperial Bank to discount such bills much more freely than they do now?

A.—Yes.

Q.—Surely then they will be taking a very great risk indeed?

A.—These bills come through indigenous bankers and they can take into consideration the credit of the indigenous banker and that of the drawer.

Q.—So you want to put the indigenous banker into the position of a bill broker?

A.—Yes.

Q.—Are there no bill brokers apart from the indigenous bankers?

A.—No.

Mr. Thomas: You have pointed out that the Imperial Bank is trying to deal direct with the customers?

A.—Yes.

Q.—The Imperial Bank exists for giving facilities to businessmen. Without middlemen, they will get money at reasonable rates, if middlemen intervene, the rates increase. Is it not so?

A.—Yes.

Q.—No wonder then, that the businessmen are showing a growing anxiety to deal directly with the Imperial Bank?

A.—Why?

Q.—Because if they go to the Imperial Bank they will get their bills discounted at the bank rate or a little higher whereas if they come to you they will have to pay more. What is your discount rate?

A.—2 per cent above bank rate.

Q.—What is the bank rate now?

A.—It is 8½ per cent, for, the bank rate at Madura is 1½ per cent more for bills and 2 per cent more for cash credits than the head office rate.

Q.—Are many merchants now going to the Imperial Bank?

A.—No.

Q.—Why?

A.—Because there they do not get nice treatment.

Q.—If the Imperial Bank treats them better in future?

A.—They are trying, but traders will not go to them freely.

Q.—Then they must come to you?

A.—Yes, they must come and they will come to me. The bankers do not get any special treatment from the Imperial Bank.

Q.—Do you take deposits?

A.—Yes.

Q.—Do you discount hundis?

A.—Yes.

Q.—Do you allow your customers to operate upon their accounts by means of cheques?

A.—Yes.

Q.—In what way are you treated distinctly from the Marwaris or the Multanis?

A.—The Imperial Bank of India discounts the bills of Multanis at 7 per cent while it charges 8½ per cent for Chettis and other communities.

Q.—What is the cause of that?

A.—The tradition has come from Bombay.

Mr. Muthiah Chettiyar: Do the retail merchants who draw bills go to the Imperial Bank direct to get cash?

A.—They are not going. They can go but they come to us because they can get money on the spot. If they go to the Imperial Bank they have got to wait.

Q.—Suppose the businessmen change their business hours and take to strict hours of business?

A.—Now they cannot get proper treatment in the Imperial Bank.

The Chairman: Cannot they get it at a lower rate of interest?

A.—Suppose the retail trader is not ready to pay on the due date, the indigenous banker will pay for him and wait for some time. But he will have to pay to the Imperial Bank on the due date. If the hundis are endorsed we will pay the sum and take it two or three days afterwards.

Q.—What other banks are there?

A.—There are the Indian Bank, the Travancore National Bank, the South Indian Bank of Tinnevely and the Hindustan Bank is to be opened shortly.

Q.—Is there a branch of the Central Bank of India?

A.—No.

Q.—Is there a branch of the National Bank of India?

A.—No.

Q.—Is there a branch of the Indian Bank?

A.—Yes.

Q.—Do they deal directly with the small traders?

A.—They give accommodation to them.

Q.—Is there any difficulty?

A.—Not much difficulty.

Q.—Do they strictly adhere themselves to the banking hours?

A.—They keep the same banking hours as the Imperial Bank.

Q.—Is that an inconvenience?

A.—No.

Q.—You do not take exception to the Indian Bank doing that business?

A.—As bankers we do not get better treatment from the Imperial Bank. If we get better treatment we will increase our business and the Imperial Bank and other joint-stock banks will be benefited.

Q.—How? Why should those banks give you special treatment. The Imperial Bank, the indigenous bankers and joint-stock banks are doing the same business. What is your claim upon them?

A.—If they give us better facilities, we will increase our business and thereby their volume of business will also increase. Retail merchants will not go direct to the Imperial Bank.

Q.—Do they go to the Indian Bank and get better facilities?

A.—Yes.

Q.—They do not go to the Imperial Bank?

A.—No.

Q.—What is the difference?

A.—The difference is this: it is under an European management. We cannot go and see directly the manager. Everything must be done through the cashier. The cashier himself reports. If a man goes to the Imperial Bank for a loan on the first of a month he will get it on the 30th. It will take more time than the Indian Bank. As regards the Indian Bank, there is an advisory board here. Everything is recommended through the advisory board. We can get loans very early.

Q.—Has the local agent of the Indian Bank any authority?

A.—No; but the agent goes and enquires about the party personally.

Q.—With regard to insolvency cases you suggested that the benefit is always for the defendant. You have written about it in your reply. Is that a recommendation or difficulty?

A.—The defendant is more benefited than the plaintiff himself in insolvency cases.

Q.—What exactly is the difficulty?

A.—First of all the insolvent is benefited because he gets protection. Up to now criminal proceedings were not taken against him by the receiver.

Q.—Such proceedings are even possible now?

A.—It is a defect in the practice. The receivers do not take action.

Q.—Who is to be blamed?

A.—My suggestion is that there may be one official receiver but a committee must be appointed.

Q.—On whose behalf does the receiver act?

A.—He acts for the benefit of the debtor as well as creditors. If a committee is appointed they will take necessary steps.

Q.—The chief object would be to stimulate the receiver?

A.—Yes; there is no objection in appointing an official receiver.

Q.—Do you take any deposits?

A.—We take deposits.

Q.—Do you pay a higher rate of interest?

A.—For current account we pay 5 per cent.

Q.—Do you keep any fixed proportion of your capital in current account?

A.—We are keeping cash accounts for one and a half lakhs.

Mr. Thomas: What is the total of your deposits?

A.—Our deposits in this city amount to three lakhs.

The Chariman: Are they operating very much on current account?

A.—Yes.

Q.—There is no clearing house in Madura?

A.—No.

Q.—Are many cheques drawn on you?

A.—Yes.

Q.—Is it a fact that the customary way of dealing with the current account is to send a cheque? Is it necessary that it should be sent to you for cashing or can it be given to somebody in lieu of cash?

A.—It is not necessary that he should come.

Q.—That is not the practice here?

A.—No.

Q.—Are money payments made by cheques?

A.—Yes.

Mr. Thomas: Are they using cheques to a very great extent?

A.—Yes.

The Chairman: Your daily transactions amount to two to three lakhs?

A.—Yes.

Q.—The cheque comes ultimately to you. But if he presents it to any other bank there also they get money. Are they usually presented by the payee to be cashed?

A.—The payee comes to us directly or presents through other bankers.

Q.—Which is most common?

A.—The payee often comes to us directly. The fact is that there are only 15 or 16 cash credit accounts in the Imperial Bank.

Q.—On the other hand, you have no clearing house?

A.—No.

Mr. Thomas: The cheque habit is increasing?

A.—Yes.

Q.—Particularly after the abolition of the stamp duty?

A.—Yes.

The Chairman: You pay 4 to 5 per cent on current accounts. How much do you pay on fixed deposits?

A.—We pay on fixed deposits from 6 to 7½ per cent.

Mr. Gopala Menon: Is it 6 per cent for six months?

A.—Yes.

Q.—7½ per cent for one year?

A.—Yes.

The Chairman: You suggested that facilities should be made to get loans from Government at cheaper rates of interest and that they will be gladly accepted. If any facilities were given by Government, what will you do in return?

A.—We will reduce our interest.

Q.—Another suggestion was being made by another set of bankers that the indigenous bankers should come under a scheme of audit?

A.—Private or Government?

Q.—At present the Imperial Bank and other joint-stock banks are audited by private auditors. Would it be advantageous to you or to indigenous bankers if they are brought under a scheme of audit?

A.—If we are given the facilities, you can have the power of auditing.

Q.—You think that would be a good thing. Do you think that there would be any difficulty at all?

A.—No difficulty. Our accounts are audited for the last ten years and we produce them for income-tax purposes.

Q.—The habit of hoarding jewels is on the decrease?

A.—Yes.

Q.—Well, how do you arrive at that opinion?

A.—From common practice.

Q.—Have you got any figures to indicate that?

A.—I cannot get any statistics. The hoarding habit is no doubt decreasing. If we give the village people proper education, they will increase their banking habits. Want of education is the main reason for hoarding.

Q.—Want of facilities for more profitable investment?

A.—Yes.

Q.—You suggested that there should be small cause courts here and that they should be empowered to adopt summary procedure?

A.—Summary procedure adopted by the small cause courts must also be extended to mufassal courts.

Q.—It is all right for the creditor. What about the debtor?

A.—If you do not give any facilities to recover their loans for bankers, naturally they will increase the rate of interest. If you give them some convenience they will reduce the rate of interest. If you want them to reduce their rate of interest you must give them facilities in realization of loans that they are getting in Federated Malay States. For that purpose there must be legislation.

Q.—Do you think that it will be abused?

A.—No; certainly not.

Mr. Gopala Menon: Is there much delay in courts?

A.—Yes; on account of that we have to increase our rates.

Mr. Muthiah Chettiyar: You were just saying that the cheque habit is growing after the abolition of the stamp duty. You now say that the stamp duty on bills also should be abolished. What will be the effect of that?

A.—At present if a man goes to purchase some goods from the retail merchants here he is given 15 days or a month's time and the amount is written in the debit balances. Till the amount is actually paid he will give trade bills if you abolish stamp duty and that habit will grow.

Q.—Do you think that trade bills will increase?

A.—Yes.

Q.—Now it is one and a half annas per hundred. By how much will you be able to reduce that?

A.—It must be fixed at the paper price whether it is one anna or two annas or four annas.

Q.—Whether the hundi is for Rs. 100 or for Rs. 1,000 the value will be the same?

A.—Yes.

Q.—You were talking about the nadappu vaddi hundis. Are they prevalent among the non-Chettis?

A.—Yes. The Chettis write that the nadappu rate should be paid whereas the others mention the rate.

Q.—If the Government declare such hundis as invalid, what will be the effect on them?

A.—We will lose our amounts.

Q.—Are such hundis used largely?

A.—Yes.

Q.—Is it possible for you to get deposits at less than 6 to 9 per cent?

A.—No, it is not possible.

Q.—You talk about the enhancement of court-fees. By how much has it been enhanced?

A.—Now it is 10 per cent I think.

Q.—You say that there is unbearable delay in obtaining decree of the court and in executing it. What is the delay that is caused after the institution of the suit on a promissory note?

A.—If the defendant files any statement, the court frames issues and goes on giving adjournment after adjournment and the minimum period taken by the court for giving a decree is 1½ years.

Q.—What will be the time taken from the institution of the suit till the decree is executed and the amount is realized?

A.—Our amounts will be realized after three or four years. If the defendant does not file a written statement we will get decree within six months but if he files his objection or counter-statement the delay is inevitable.

Q.—After the filing of the statement during the course of the proceedings or during the course of the realization do you come across these parties resorting to insolvency courts?

A.—We get the decree and before we could execute it the party files an insolvency petition. He tries first to delay the decree, and then if in spite of him the decree is passed, he files next the insolvency petition.

Q.—If payment is not made on the due date do you file a suit immediately?

A.—No, we give some time more, sometimes six months or even seven months.

Q.—Do the banks here give extensions or do they file a suit if the payment is not on the due date?

A.—They will file a suit on the next day. The joint-stock banks and the Imperial Bank do not give any time.

Mr. Gopala Menon: On hundis?

A.—Yes.

Mr. Muthiah Chettiyar: Are the cases filed by the banks disposed of earlier?

A.—No.

Q.—Then they also experience the same difficulty?

A.—Yes. But usually they get double signatures and one man or the other pays the amount immediately. In our case we issue loans on single signature and the difficulty arises.

Q.—For what periods do joint-stock banks give money to the indigenous bankers?

A.—For three months and six months.

Q.—When do you pay the interest?

A.—Once in three months.

Q.—How do you realize your interest from your customers?

A.—When he returns the amount we take also the interest and not before.

Q.—Suppose he pays the money after two years. Would you take the interest only after the two years and not before?

A.—No. On the expiry of every 12 months we take the interest.

Q.—You say that you are raising loans at a high rate of interest from joint-stock banks. What is the rate of interest?

A.—The head office rate of the Imperial Bank is now 7 per cent and the Imperial Bank charges here 8½ and 9 per cent.

Q.—Do you know the average bank rate of the Imperial Bank's head office?

A.—Yes. It works out at 6½ per cent.

Q.—If you borrow for 12 months what will it come to?

A.—It will come to 9 per cent.

Q.—Are there any incidental and other charges besides interest?

A.—No.

Q.—Do you lend on two signatures?

A.—No. Only on single signatures do we lend.

Q.—Do joint-stock banks lend on single signatures?

A.—No.

Q.—You say that you get back the money according to the convenience of the debtor. But it is generally said that the method of collecting by the indigenous banker works hard on the borrower and you say that you wait for some time. How do you explain the disparity?

A.—Certainly it is not like that.

Q.—You say that both the depositors and the borrowers are benefited. How?

A.—The indigenous bankers give a higher rate of interest to the depositors and get their money from the borrowers at their conveniences. It is in that way that both the depositor and the borrower are benefited.

Q.—Does the indigenous banker know the borrower more closely than the joint-stock banks?

A.—Certainly, we know each other well.

Q.—You know the place where the borrower lives?

A.—Yes.

Q.—Do you lend to persons who have no means to fall back upon on their own personal security because you think that the men are reliable and honest?

A.—If the persons are honest we lend to them.

Q.—You say that the indigenous bankers are getting a net income of 2 to 3 per cent on the capital that they invest in business. Will you please explain what you mean by that?

A.—Our mercantile practice is to deduct the interest for the capital invested.

Q.—Generally that is not the calculation with which we are concerned. What will be the net yield on his amount?

A.—10 to 11 per cent.

Q.—You say that the use of the vernacular will increase the business. Do people experience much difficulty with regard to the forms printed in English?

A.—Yes. There is the difficulty about the endorsement. If the cheque is written in English he must give the correct endorsement.

Q.—What about the other forms which the banks use?

A.—There the man has to sign without knowing what the form is.

Q.—You want local advisory boards to be established. But is it possible to have one in every place?

A.—It is necessary to open them for increasing the banking facilities.

Q.—In what way will they be more useful? Will they help the business of the bank?

A.—There must be some extra institution other than the bank cashier to attend to the giving of loans as then alone real work could be done.

Q.—Is it your object that the bank cashier should be substituted by the local advisory board?

A.—Yes, the enquiry work of the cashier should be done by the advisory board.

Q.—Is the advisory board to have the final say in regard to the giving of loans?

A.—Yes.

Q.—There are at the head office of the Imperial Bank the agent, the secretary of the bank and the directorate. Do you not think that there will be duplication of the work?

A.—The local advisory board must take its recommendations to the Madras board and the final authority may rest with the Madras board. I have no objection to that. But as far as the applications are concerned, the local board should be empowered to accept or reject the applications and the head office in their turn may accept or reject the proposals of the local advisory board.

The Chairman: Whom will the people go to for money; the advisory board or the agents?

A.—They may go direct to the advisory board or through the cashier or agent. What I want is that the final authority should rest with the advisory board whether to give the loans or not.

Mr. Gopala Menon: Who is to advise the advisory board?

A.—They will themselves be local men with knowledge of the persons that apply.

The Chairman: Are they to be persons engaged in trade?

A.—Yes.

Q.—Supposing a competitor of one of the members on the board applies for money, do you think he would get the money?

A.—In that case there may be some other men also on the board. Then there may not be any difficulty.

Q.—You say that the rate of interest charged by the Imperial Bank is different from that charged for the Marwaris, and other indigenous bankers. What is the difference?

A.—The rate charged by the non-Multanis is at least 2 per cent above the rate of the Imperial Bank.

Q.—Does this advantage to the Marwaris work prejudicially to the other indigenous bankers?

A.—Yes.

Q.—Does the Marwari or the Multani lend at the same rate as you do or does he lend at a lower rate?

A.—The Imperial Bank lends at a lower rate to the Multanis and at a higher rate to indigenous bankers.

Q.—Does the Multani cut you out in your business? Does he lend to parties at a lower rate of interest than you do?

A.—He gives at a lower rate to some persons.

Q.—Why do you complain that the Imperial Bank is giving at a lower rate to the Marwaris?

A.—If the bank lowers its interest we will also be able to reduce the rate of interest that we charge and the trader will be benefited.

Q.—You say that the law relating to the deposit of title deeds may be brought into force in the mufassal also. Do you think that there will be much business conducted?

A.—Yes.

Q.—In regard to audit by the Government of the accounts of the indigenous bankers do you think that the indigenous bankers would like such a measure?

A.—They will not like it. But if necessary they will agree to a private auditor auditing their accounts.

Q.—You want the auditors merely to audit their accounts or should the auditor enquire into their whole business besides going through the accounts?

A.—The indigenous bankers will not allow that to be done.

Q.—You would not like the auditors to enquire into the whole business and report on the financial condition of the business?

A.—No, certainly not.

Q.—Do you think that the secrecy will no longer be there if the Government auditors were made to audit the accounts?

A.—Certainly. The indigenous bankers will not like their accounts to be audited by the Government auditors for that very reason. But if auditing is insisted upon by the Government they will engage a private auditor for the purpose.

Mr. Gopala Menon: But in your case did you not say that there will be no objection?

A.—So far as I am concerned I have no objection. But so far as the others are concerned they will not like such a step.

Mr. Muthiah Chettiyar: Do you think that they will not object to the private auditors such as chartered accountants and certified auditors merely preparing the accounts and the balance sheets?

A.—They will not object to this.

Q.—What will they do if powers were to be given to these auditors to enquire into the question of the bad debts, how far on single signatures and how far on double signatures, etc.?

A.—Their idea is this: the Government do not come to help in their difficulty. Naturally they do not like any restrictions alone to be placed upon them.

Q.—Will the indigenous banker who has money of his own and does not take deposits agree to the audit by Government?

A.—Generally the indigenous bankers will not like to have Government auditors. You do not give them any convenience but you only want to impose some restrictions on them. That is their view point.

Q.—The suggestion is made that a legislation should be passed that the indigenous bankers who want to have credit from the Imperial and other banks should have their accounts audited by Government auditors. Do you think that in the case of the indigenous banker who does not want to borrow, this audit will be liked by him?

A.—No.

Q.—Why?

A.—Because he does not get any help from the outside bodies.

Mr. Gopala Menon: Do you not think that if their accounts were audited by the Government auditors the public will have more confidence in them?

A.—Generally the indigenous bankers will not like it.

Mr. Muthiah Chettiyar: How many bankers of your type are there in the southern parts?

A.—In southern India, in Malabar and Travancore there are about 150 to 200 firms.

Q.—Are all of them called bankers?

A.—A fourth of them do banking business and the rest do money-lending business alone.

Q.—Do the persons who lend money take deposits also?

A.—Yes, they take some deposits.

The Chairman: To come back to the question of auditing, you say that if the audit was done by the department your secrecy will be gone?

A.—Generally the opinion is like that.

Q.—But are not the Imperial and the other joint-stock banks audited at present?

A.—They are audited by private auditors.

Q.—The Income-tax Department also examines your accounts, is it not so?

A.—Yes.

Q.—Is there any serious breach of confidence in the Income-tax Department?

A.—No. That is because there is a provision in the Income-tax Act that the papers must not be used for any other purpose.

Q.—Quite so. The same would apply to any audit whether it is done by a Government accountant or by a private accountant. Then why should the audit by Government be considered to be less confidential than the audit by a private agency?

A.—The private accountant has only to keep the accounts in a proper order. In regard to audit by the Government the point is this. The Government does not give any facilities as bankers to the bankers. But when they want to audit the accounts of the indigenous bankers they want to put some restrictions upon them without giving them any benefit.

Q.—What is the sort of restriction that is supposed to be placed?

A.—The secrecy will come out.

Q.—Why should it come out?

A.—As far as I am concerned, I do not have any objection to audit by Government, but I see that the general feeling is against the audit by the Government auditors.

Q.—Would it not create more confidence in the minds of the people about these banks if they were subject to control audit?

A.—I think so. They will have some benefit. But the difficulty is that generally they will not like such a step being taken by the Government.

Mr. Muthiah Chettiyar: Do you think that those who want facilities from the reserve bank will object to being subjected to audit by the Government auditors?

A.—No. So far as such people are concerned the feeling will not be against audit by the Government.

(Note.—The witness withdrew but was recalled on the 31st January 1930, and further examined; but one of the members, viz., Mr. M. A. Muthiah Chettiyar was absent on this date.)

Mr. Gopala Menon: Mr. Subba Ayyar, has your system of doing banking business improved in any way during the last decades or is it carried on in the same manner as it was formerly?

A.—It has very largely improved.

Q.—In what ways?

A.—We do it in the modern fashion.

Q.—Have you got a board?

A.—Yes.

Q.—And proper counters and clerks?

A.—Yes.

Q.—Have you got a separate cashier?

A.—Yes. He signs hundis and everything.

Q.—You say in the first paragraph of your written evidence that the Hindu law of inheritance so long as it continues to be as it is, is an impediment to large estates and for banking expansion?

A.—I said that it stands in the way of large estates springing up.

Q.—Have you had any occasions to observe that the peculiar inheritance laws of the different communities and the social system of the country have been responsible, to some extent at least, for losses to bankers?

A.—The difficulty is this: there is no universal law of inheritance in India among the castes and there is the difficulty in finding out or determining the survivors or heirs. There are so many usages here.

Q.—Do you think the banks are in any way put to losses on that account?

A.—It is difficult to find out, that is all. There have been no losses.

Q.—The successors were able to carry on the business in the same manner as before?

A.—Yes.

Q.—The banks were able to recoup their advances made to a particular firm?

A.—There was no difficulty in recovery.

Q.—You do not therefore think the peculiar inheritance laws of the different communities have been an impediment?

A.—It is not an impediment in the recovery of loans.

Q.—You say small merchants have to go to villages at the time of the harvest, get produce by paying money and they sell it in towns. Where do they get money for that?

A.—From small bankers.

Q.—Like you?

A.—Yes.

Q.—At what rate do they borrow?

A.—At 9 to 12 per cent, but it varies according to the month.

Q.—Do you think they are left entirely to the mercy of these bankers?

A.—Certainly not.

Q.—What are the other sources then?

A.—They can go to the Imperial Bank but do not generally go there because the Imperial Bank will require double signature and it is very difficult to get another person to sign for you. We advance them money on single signature and so they come to us.

Q.—This state of affairs has been going on for several years and there is no improvement on that?

A.—In what?

Q.—In their getting money at a lower rate of interest?

A.—But the bankers cannot lend below 9 per cent. It will not pay them to do so.

Q.—Can you make any suggestions for any improved method of financing these small traders?

A.—There is no other method except financing these small bankers by the bigger banks. You must finance these indigenous bankers and they in turn will finance the small traders.

Q.—Still will you require 9 per cent interest minimum?

A.—If you give us facilities for obtaining money at low rates of interest and give us also some facilities for realization of loans then we can reduce our interest. Unless these are done we cannot reduce our present rates of interest.

Q.—What is the margin that you require in order to get a reasonable return after meeting your establishment charges and other expenses for recovery of loans?

A.—3 to 4 per cent.

Q.—Do you make more than that now?

A.—No.

Q.—Do you think better facilities can be given to those traders by giving them marketing facilities?

A.—Yes.

Q.—Supposing marketing facilities are afforded by way of construction of warehouses how will you make yourself responsible for these bodies who construct warehouses. Would you place any deposit with them for taking charge of those warehouses?

A.—Certainly.

Q.—You say you want reduction in stamp duty?

A.—Yes.

Q.—What is the present stamp duty on an inland bill?

A.—One and a half annas for Rs. 100.

Q.—Yesterday you mentioned that there are several kinds of hundis in vogue in this Presidency, such as the dharsana hundi, thavanai hundi, nadappu hundi, etc. You carry on business by means of these hundis? Do you not?

A.—Yes.

Q.—When goods are sent from one part of the country to another do you draw inland bills against those goods?

A.—We draw drafts.

Q.—You resort to drawing bills?

A.—Yes.

Q.—Which is more in use, hundis or bills of exchange?

A.—Bills of exchange are more in use.

Q.—Do you think we can regularize this by abolishing these different kinds of hundis and resorting to one kind for money loans and then for mercantile purposes you can draw bills of exchange?

A.—Yes.

Q.—Do you think we can regularize or that it is possible to regularize all these hundis by having one kind instead of four or five different kinds?

A.—It is possible. But that should also be issued in the vernacular.

Q.—Are nadappu hundis discounted?

A.—Yes. The total amount of hundis discounted by us is about Rs. 1 crore a year.

Q.—For the face value of the hundi you take a commission and the interest will be charged on the due date according to the current rate of interest?

A.—Yes, interest is charged according to the nadappu rate each month.

Q.—So you are of opinion that it is possible to regularize and bring these hundis as far as possible to one form?

A.—Yes.

Q.—And transactions for transport of goods should be carried on by these bills?

A.—Yes.

Q.—You said the other day that your dealings go to the extent of Rs. 10 lakhs.

A.—Our capital is Rs. 3 lakhs to Rs. 4 lakhs and Rs. 6 lakhs are deposits.

Q.—You are getting an advance of Rs. 2 lakhs from the Imperial Bank of India?

A.—Yes.

Q.—You also said why not the Imperial Bank advance you more than Rs. 2 lakhs when you have a capital as well as deposits amounting to Rs. 10 lakhs?

A.—Yes.

Q.—I wish to know whether you have dealings with any other bank?

A.—Yes, with the Indian Bank.

Q.—Do you consider as a banker that any banker should advance you more than a certain proportion of your capital when you have dealings with other banks also?

A.—I said that the bank should give us facilities for discounting more trade bills. We get bills from small traders and in discounting such bills the Imperial Bank can take into account not only our credit but also the credit of those traders also.

Q.—Do you not think that a banker should fix a limit to which one man or another banker should discount hundis with him. Suppose a small trader worth a lakh of rupees wants to discount trade bills with you. To what extent will you discount his bills?

A.—If he has a capital of Rs. 1 lakh and if he brings in good hundis I will discount to the extent of Rs. 1 lakh. That is why I told you they must take into account the credit of the drawer of the bill also.

Q.—Other people also told us that the Imperial Bank is not giving advances of more than Rs. 2 lakhs when their capital is Rs. 10 lakhs. Do you not think that it is left entirely to the banker to decide to what extent he should give you credit taking into account the fact that you have dealings with other bankers also?

A.—Yes, they should take that into account also.

Q.—If such a trader comes to you, you will not give him more than Rs. 25,000 credit. Is that not so?

A.—Yes. But our funds are limited.

Q.—Occasionally the Imperial Bank may have exceeded that limit seeing that you are a regular customer of theirs?

A.—They have not exceeded that limit.

Q.—Businessmen are very strict in their dealings and you cannot find fault with them in this direction. Do you not think so?

A.—Yes.

Q.—If the indigenous bankers are well organized probably they will exchange their methods?

A.—Yes, I think so. At present the Imperial Bank or any other joint-stock bank is not giving us any facilities as a banker. We are treated just like individual customers. Since our transactions are for large amounts they give us some concessions, that is all.

Q.—You told us the other day that some of your customers with whom you are dealing are going to other banks, like the Imperial Bank, the Indian Bank, the Travancore National Bank, etc. Can you account for it? Is it because they are getting at a lower rate there?

A.—They go there to get larger accommodation.

Q.—Is it due to the higher rate of interest charged by the indigenous bankers?

A.—Certainly not. There is the difficulty of finding another surety for their loans from those banks, which we do not insist upon.

Q.—What is your discount rate for bills?

A.—It varies from 9 per cent to 12 per cent.

Q.—If you charge 4 per cent above the bank rate for a small merchant you will charge 11 per cent?

A.—We calculate according to the month and not according to the amount.

Q.—What is the Imperial Bank rate, the Indian Bank rate and the indigenous bankers' rate?

A.—When the head office Imperial Bank rate is 7 per cent the Imperial Bank here charges 9 per cent, the Indian Bank 10 per cent and the indigenous bankers 11 to 12 per cent.

Q.—So, when the Imperial Bank charges only 9 per cent, you cannot find fault with the small trader if he goes to the Imperial Bank for discounting his bills, or with the Indian Bank?

A.—But there they insist on double signatures. It is not a small task to get a surety for you. It is a very difficult task.

Q.—I am not talking of surety. You say that some of the small traders are going to the Imperial Bank to the disadvantage of the indigenous bankers. I say they go there because they get money at more favourable rates. The complaint that you made was that the Imperial Bank was dealing with small traders and that it must be stopped.

A.—These small traders must go through the indigenous bankers. That is what I want.

Q.—You cannot limit the operations of the small trader or compel him to pay you a higher rate of interest and thus restrict him to go to any other institution where he can get money at a lower rate of interest.

A.—I did not mean it.

Q.—You cannot then say there is competition between the Imperial Bank and the indigenous bankers in this respect?

A.—Yes.

Q.—In the case of issuing drafts also you admit that there is no competition between the Imperial Bank and the other joint-stock banks on the one hand and the indigenous bankers on the other?

A.—As far as commissions are concerned, we are not complaining anything at all because our commissions are lower than that of the Imperial Bank. We charge only half an anna while the Imperial Bank charges one anna and if at all anybody has to complain I think it is only the Imperial Bank.

Q.—Either in the matter of issuing hundis or drafts neither the Imperial Bank nor the other joint-stock banks are coming into competition with the indigenous bankers.

A.—Yes.

Q.—Do you issue drafts on other bankers, say, in Bombay, Calcutta and so on?

A.—Yes.

Q.—Have you got your agents there?

A.—Yes, Multani agents in Bombay, Calcutta and Rangoon.

Q.—Have you made previous arrangements with them for negotiating drafts or have you a current account with them? How do you settle their account?

A.—We purchase bills payable in Bombay, Calcutta, etc., and send them to them. We have a running account with them.

Q.—Do you think that the rate of interest prevailing now can be better organized by legislation?

A.—Certainly not; you must give them facilities for realizing.

Q.—What are your suggestions for linking up the indigenous banking system with the central money market?

A.—We may have a banker's institute.

Q.—Suppose a central reserve bank comes into existence?

A.—Indigenous bankers can be organized and they can become members.

Q.—Are you prepared to come into a banking federation if such an institution is established?

A.—Certainly.

Q.—Have you experienced any slack season when money was lying idle?

A.—Yes.

Q.—Have you transferred on such occasions the amounts to other countries?

A.—We are transferring it to Rangoon, Bombay and Madras during slack season.

Q.—Can you suggest any means by which such transfers can be avoided so that they may be better utilized in the district?

A.—It is impossible to invest it.

Q.—But can you not find some kind of business at that time for financing?

A.—There will be no business at that time. No trader will demand money. We send it to other provinces.

Q.—Can you not create any business?

A.—Suppose there is any season in Rangoon; then we can send our money there.

Q.—Can you not suggest any means by which that money could be utilized in the district?

A.—Trade is seasonal.

Q.—After four months there will be season. There may be imports coming. Can you not finance those merchants?

A.—After financing we find surplus.

Q.—Have you had pressure for money at any season?

A.—We will have large demands.

Q.—Then do you get money from the banks here or from other places?

A.—Yes.

Mr. Thomas: How is your business constituted?

A.—We are two partners. We have one office here and one in Karaikudi. One of my partners has five branches in the Madras Presidency.

Q.—Have you got any branches in Ceylon?

A.—No.

Q.—How many banking firms are there in Kalladalkurichi?

A.—75 to 100.

Q.—Most of them have got branches?

A.—They are trading in Madras, Malabar and Cochin.

Q.—Is there any withdrawal of funds from the West Coast of late? What is it due to?

A.—They drew funds from the West Coast. There is no special reason for that. Other banking firms have opened branches there. Many joint-stock banks have been opened in Malabar. So we find other markets.

Q.—Are your agents generally members of your own family or are they employees?

A.—We give some profits to our agents. But they all belong to our village.

Q.—Not necessarily relations?

A.—No.

Q.—You do not appoint others outside your community as agents?

A.—We take from our own community.

Q.—There is some corporate life among the Brahmans of Kalladaikurichi? Are there not certain common funds to which all contribute and which are used for charitable purposes?

A.—Yes.

Q.—Do you still contribute to them? You are domiciled in Madura?

A.—Yes.

Q.—Where else are you carrying on business?

A.—In Madura and Karaikudi.

Q.—Are hundis properly speaking commercial bills of exchange?

A.—They are.

Q.—Are there real commercial transactions behind them? Are they not merely accommodation bills?

A.—Multanis bills are accommodation hundis. They are not trade bills. We simply do exchange business.

Q.—Accommodation hundis cannot be discounted at low rates because they are not supported by genuine transaction?

A.—The exchange bills are discounted to the businessman at a sufficiently reasonable rate. Is it not so?

Q.—Whether you speak of exchange hundis or other hundis, you admit that the rate at which they are discounted hamper trade and make business unprofitable?

A.—No. Our commissions are reasonable, judged from the present circumstances.

Q.—Your commissions may be reasonable, as compared to other's commissions, but can inland trade develop under such disabilities?

A.—It cannot be lowered. We are charging a minimum commission on account of supply and demand.

Q.—Could you suggest means for reducing the discount rate and rates of interest in general? If businessmen get accustomed to use real commercial bills, do you not think the risks of bankers will be reduced and hence the rates as well?

A.—If you take the case of the Imperial Bank and our bank I can tell you.

Q.—I am not comparing your terms with those of other banks; I am pointing out the inherent defects of our present methods of business. In all civilized countries, traders can and do get money cheaper, because they conform to the banking principles. Why not we, too?

A.—If the volume of business increases, we can reduce the rate of interest.

Q.—Very well, there is a disparity between the Imperial Bank rate and the market rate at present. What means would you suggest for reducing this disparity?

A.—You cannot dream of reduction when Government treasury bill comes to 6½ per cent.

Q.—Is it because of lack of funds?

A.—Yes.

Q.—Is it due rather to lack of mobilisation?

A.—There are many borrowers in the field.

Q.—The Imperial Bank and even private banks have got ample funds. In some parts of the year, they are all full to the brim. None the less the bazaar rate is nearly always high and if a businessman wants funds he must pay high price for them. We must find a way out of it, if trade is to expand? Do you not agree?

A.—The Imperial Bank has a great name. It is backed up by Government. That is the general impression. The Imperial Bank can find at 4½ per cent whereas other joint-stock banks cannot find for 6 per cent.

Q.—The Imperial Bank has indeed got funds, but are those funds put to the fullest use? I suggest that this is due to the defective nature of business methods. The Imperial Bank must be interested in expanding business, but are facilities ample?

A.—They can use it by stimulating the indigenous bankers.

Q.—Why do not the indigenous bankers create and encourage proper trade bills which alone are acceptable for being discounted at the Imperial Bank?

A.—Accommodation bills will not be discounted by the Imperial Bank except with the security of the Multanis. The rates there are also higher.

Q.—Very well. I will put my question in another way. How would you enable businessmen to get money at a lower rate of interest?

A.—Unless you take away the joint signature system it is not possible.

Q.—Only the Imperial Bank is bound by statute to insist on double signature. What about the other banks which are not bound by it? May I repeat once again that the kinds of hundis dealt in by the indigenous bankers are not calculated to infuse confidence in the banks and reduce interest?

A.—Although there is nothing stated in the hundi itself, it represents commercial transaction.

Q.—But are the requisite documents provided? Are they not essential?

A.—The stamp duty is also an impediment.

Q.—I suggest that the present state of things cannot be rectified unless the proper trade bill and the proper bill-broker come into being?

A.—Yes. It may be so.

Q.—Have your interest rates fallen to any extent in the last few years?

A.—How can we reduce our interest? The realization of money is very difficult.

Mr. Gopalu Menon: They are not coming into competition with them.

A.—We have no objection to the small traders going to the Imperial Bank. We cannot reduce the interest owing to the high rate of the Imperial Bank.

Mr. Thomas: What other impediments are in your way?

A.—My opinion is that if you take away the stamp duty we can get much trade bills.

Q.—Is the stamp duty a very great impediment?

A.—Yes. By reducing it the trade will expand and the Government will make up for its revenue.

Q.—In regard to the reorganization of indigenous banking you propose, how will you combine them into larger groups? Would you rather that they incorporate themselves into joint-stock banks?

A.—I am for a combination. They must have an organization and they must be linked up with the State bank.

Q.—In order to link up you will have to organize. For that you have to start a banker's institute. Suppose the indigenous bankers organize themselves into joint-stock concerns. Do you think it would be possible to apply the *Kommandit* principle in some form? This might obviate defects of a limited concern and give confidence to shareholders and clients.

A.—Yes, it may be possible. I cannot say.

Q.—You are not against the compulsory registration of money-lenders and the regulation of their business by rules and by periodical audit of accounts?

A.—Unless some facilities are given they will grudge it.

The Chariman: Have you given any serious consideration to the question of forming an institute of indigenous bankers?

A.—No.

(The witness then withdrew.)

Wednesday, 29th January 1939

MADURA.

PRESENT:

Mr. H. M. HOOD, I.C.S. (Chairman).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Kann Bahadur V. HAMMED SULTAN MARIOAIR SAHIB Bahadur.

Messrs. G. PALANIYAPPA MUDALIYAR, Shop-keeper and Agent, No. 7, Goods Shed Street, Madura, and V. GOPALAKRISHNA CHETTIYAR, Cloth Merchant, Swami Sannadhi Street, Madura.

Oral evidence.

The Chairman: Are you both shop-keepers? What business are you doing?

A.—Yes. We are cloth merchants and dealers in stationery and soaps.

Q.—Whose capital do you use?

A.—We have invested our own capital.

Q.—Where do you get your stock from?

A.—English piece-goods are bought from Nattukottai Chettis who own big shops here and mill goods from the local mills.

We buy stationery goods locally from other big shop-keepers and I am the agent for the Kerala Soap Works in Madura.

Q.—Why do you go to the local merchants for your stocks when you can obtain them direct from Madras?

A.—We are given credit facilities by the local merchants, while if we purchase directly from Madras, we cannot get any such facilities. That is why we go to these local big merchants.

Q.—What are the terms of their credit?

A.—For the first 30 days they do not charge any interest. If we fail to repay before that they will charge interest.

Q.—What rate of interest do they charge after the 30 days?

A.—14 annas, that is 10½ per cent.

Q.—Within what time will a transaction be closed?

A.—We will have always rolling accounts. We will be paying them little by little as the goods are sold and get fresh stocks then and there.

Q.—What is your total volume of business? How much is your own capital and how much credit do you obtain from big merchants?

A.—Apart from my Rs. 1,000 capital on which I can purchase goods, I raise credit facilities to the extent of Rs. 2,000. On the whole, therefore, I am doing business with altogether Rs. 3,000 worth of stock.

Q.—What security do you offer for the Rs. 2,000 credit you obtain from them?

A.—Every time I purchase goods from them, they enter the details of purchase, their cost, etc., on the day book and obtain my signature below on an anna stamp. They do not demand any security.

Q.—You therefore say that there is no specific pledge?

A.—Yes, there is no necessity for pledging my goods.

Q.—How much do you generally take for your living from your shop?

A.—I take Rs. 60 every month for my expenses.

Q.—What profit do you make at the end of the year?

A.—Including the Rs. 60 I take every month for my household expenses and including also the interest on capital, etc., I make a gross profit of Rs. 1,000 every year.

Q.—Therefore what profit do you make on a rupee?

A.—Nine pies on a rupee worth of article.

Q.—How many times do you take fresh stock in every month?

A.—I take a large part of the stock from the big merchants just on the eve of big festivals, such as Deepavali, Chitra and at other times, just to replace the goods sold.

Q.—How much sale do you effect per day?

A.—I am selling articles to the extent of Rs. 50 on an average every day.

Q.—Do you ever order goods from Madras?

A.—In recent years I have not been ordering goods from Madras.

Q.—How much credit do you get for purchasing stationery locally?

A.—The local merchants give me a credit for 30 days and sometimes 60 days. At times I get 90 days credit also.

Q.—Do you sell the soap on cash or on credit?

A.—For cash as well as for credit.

Q.—How many days credit do you generally give?

A.—I sell also on 30 days' credit.

Q.—You say that you are the agent for the Kerala Soap Works. Do you buy stock on cash or on credit? If on credit, how many days credit do you get?

A.—I buy goods on credit from the soap works. First I was given credit for 30 days and afterwards when I have increased the business, it was increased to 60 days and then when I made representation that I had to give credit to people in Tinnevely and other districts, the credit facilities were further increased to 90 days and any sales effected prior to the date on which these bills had to be retired, I have to remit the money into the Imperial Bank. The understanding is that whether I sell the whole lot or not, I must pay the money in the Imperial Bank within the stipulated time. Often as I sell my goods, I remit my money towards the credit of my account.

Q.—Do you ever use the soap as security to the value of stationery you purchase locally?

A.—Sometimes I do also like that. It happens only in the case of those merchants who do not want our soap, but who can take our soap as security for the value of stationery they give. In other cases, where the merchants themselves can take our soap for sale, we simply exchange goods.

Q.—What rate of interest do the Kerala Soap Works charge after 90 days?

A.—Suppose I am unable to sell the whole lot of soap within 90 days, I must pledge the soap with the South Indian Bank here and raise money to meet my bill at the Imperial Bank.

Q.—At what rate of interest do you raise the money from the South Indian Bank?

A.—The rate varies between 9 and 12 per cent.

Q.—How much capital have you invested in your business?

A.—Altogether Rs. 3,000, Rs. 1,000 out of my own, and Rs. 2,000 worth of soap on credit from the Kerala Soap Factory.

Q.—What will be your outstanding at any time in the year?

A.—I only have a thousand rupees worth of stock with me at any time. The remaining Rs. 2,000 worth of articles will be always outstanding against the people to whom I have sold soap or stationery.

Q.—Do you get any better facilities for purchasing stationery in Madura, which you could not otherwise get if you order from Madras?

A.—I am paying a slightly higher price for the goods I purchase in Madura. For this I am given credit facilities up to 30 days, which I cannot get if I order them from Madras. But on occasions, when I find that I

can make more profit by purchasing things from Madras, I ask them to send the articles by V.P.P. I may also state that I was purchasing stationery only from Madras some five years ago. Now I have stopped that business, after having obtained the soap agency. I do business in stationery mainly to get on with my soap business.

Q.—What is the extent of your business in stationery?

A.—I am buying Rs. 600 worth of stationery every month.

Q.—Have you got any debt?

A.—I have no debt except what I have to pay to the Kerala Soap Works and stationery goods from the dealers to whom I have given soap.

Q.—Have you ever gone to the Imperial Bank for money?

A.—I have no account with the Imperial Bank. The difficulty is that if I want to open an account with the Imperial Bank, I must first deposit Rs. 250 as initial deposit and I must always maintain that sum till I close my account. I can get facilities only to the amount of deposits or remittances I make, over and above this Rs. 250. It is not possible for me, as a retail dealer, to open any account with such restrictions. On the other hand if I want to open an account with the South Indian Bank or any co-operative urban bank, it is enough if I have Rs. 10 as my initial deposit. I get all facilities from these banks as the Imperial Bank and go on with my business. I am also having accounts with the Madura Co-operative Urban Bank.

Mr. Thomas: Do you deal with Nattukottai Chettis?

A.—I am dealing with Nattukottai Chettis.

Q.—Do you take cash loans from them?

A.—Sometimes I take loans from them also.

Q.—On what terms?

A.—12 per cent and sometimes 15 per cent interest.

Q.—Do you repay the whole amount as one sum or do you repay in instalments?

A.—I repay the money as often as I can.

Q.—Do you borrow on promissory note?

A.—I write out a pro-note.

Q.—Do you borrow money on the kandu system?

A.—Yes.

Q.—How is the amount repaid?

A.—Once in three months.

Q.—Suppose you borrow Rs. 100; do you repay it at the rate of one rupee per day?

A.—Yes, I am doing like that.

Q.—What rate of interest do you pay for that?

A.—I pay Rs. 3-12-0 interest which is deducted at the beginning and I get only Rs. 96-4-0.

Mr. Maricair: How do you repay that?

A.—At the rate of Re. 1 a day.

Mr. Thomas: Is it a profitable transaction for you?

A.—Because of necessity I have to get money like that.

Q.—Do they enter the daily payments in their books and give you receipt for all sums received?

A.—When I repay the money they enter it in their books and I see that they do so. When all the amounts have been paid then the pro-note is given back to me.

Q.—Is such a system of taking loans prevalent among shop-keepers like you?

A.—Yes, most of them take like that.

Q.—Are there cases in which disputes have arisen as regards repayment and difficulties arose to prove the repayments of money?

A.—Not much.

Mr. Gopala Menon: Do big firms carry on this kandu system?

A.—No. Only very small firms.

Mr. Thomas: In a transaction like that do you realize how much interest you are paying?

A.—About 24 per cent.

Q.—Do you know that you can get such small sums at lower interest from co-operative societies?

A.—I do not know of it.

Q.—Now that you know it, will you become member of a co-operative society?

A.—I may.

Q.—Nobody has told you of co-operative societies?

A.—I do not know much.

Q.—Have you any friends who are members of co-operative societies?

A.—There are some.

Q.—Suppose you default your kandu instalments? What will happen?

A.—It will have to be repaid the next day and if some defaults happen like that I will have to pay a penalty interest of two or three pies.

Q.—Do any such cases go to Court?

A.—Yes, so many.

Q.—If you go to Court, do you know what interest will be allowed?

A.—About 12 per cent.

(The witness then withdrew.)

Wednesday, 29th January 1930.

MADURA.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Khan Bahadur V. HAMMED SULTAN MAHMOOD SAHIB Bahadur.

**M.R. By. L. K. TULASIRAM Avargal, B.A., B.L., M.L.C., Advocate,
 Madura.**

Oral evidence.

The Chairman : Are you carrying on banking business?

A.—I am not carrying on banking business. I am an advocate and a Member of the Legislative Council. I am intimately connected with the dyeing and the weaving industry of Madura.

Q.—Can you tell us something of the financing of that business?

A.—These Sourashtras are dyeing and weaving cloth themselves, but the actual weaving is done by the poorer members of the community.

Q.—But do they not work mostly under master weavers?

A.—I would call them capitalists.

Q.—Are they of their own community?

A.—Yes, capitalists of their own community. They do not know the difference between a warp and a weft and hence I would not call them master weavers.

Q.—They dye the yarn and supply the weavers that yarn on credit. Is that correct?

A.—I would classify the weavers into three classes. First the actual weaver himself who weaves and sells his own cloth. That is the last type of weaver. The other is the weaver who is under a contract. He receives the supply of raw materials from the capitalist, weaves the cloth and then sells it again to the capitalist himself.

Q.—Quite so. Is that not the common form in Madura?

A.—Yes, not only in Madura but almost in all the weaving centres of the Presidency.

Q.—Does the capitalist get his yarn from the local mills?

A.—Madura is noted for its fine weaving, weaving of cowls above 60. So far as local yarns are concerned they get it from the local mills.

Q.—Where does the capitalist get his yarn from? What are the terms of business?

A.—The capitalist buys yarn coming from Manchester, but the man here does not buy it direct from Manchester. He purchases it from Messrs. Rally Brothers and Messrs. Gordon, Woodroffe & Co., who directly place the indent with Manchester.

Q.—On what terms do they buy?

A.—Messrs. Rally Brothers choose a particular kind of yarn which is made from Sea Island cotton. They are experts in selecting the yarn required for the Madura trade. Indents are placed by the capitalists here for so many shipments and when the shipment comes the bills of lading are handed over to the capitalist who clears the goods or sometimes Messrs. Rally Brothers themselves clear the goods and hand them over to them.

Q.—How is the payment actually made?

A.—As soon as the shipping documents are received the capitalist pays cash or gives a demand draft.

Q.—How the actual payment is made to the Manchester shipping firm is outside our scope but we are very much interested in the actual distribution in India. How is the yarn distributed?

A.—From the houses of these big importers who can be counted on fingers' ends, it is distributed to other people.

Q.—On what terms?

A.—Mostly for cash, and in a few cases on 15 days' credit.

Q.—Is it generally for cash?

A.—Yes, for cash.

Q.—How is the cash paid? Is it done through an agent or by V.P.P.?

A.—Generally the firm that distributes has a branch in Madura and in Madras and payment is made through them.

Q.—Is the capitalist working on his own capital?

A.—He generally works on his own capital, but sometimes he borrows from the Imperial Bank.

Q.—If he borrows from the Imperial Bank is it on personal credit or on pledge of the goods?

A.—It is on his own personal credit.

Q.—Do they borrow much?

A.—They do not borrow much. They trade largely on their own capital. Their capital will be about 75 per cent and it is only when hard pressed to meet some demand that they borrow. They avoid the bankers as much as possible.

Mr. Thomas: Is there any special reason why they should avoid the bank?

A.—They consider the bank as a serpent which will bite them if they go near. They think if you go and borrow they will come and sell your shop and put you to disgrace. The bankers are not in direct touch with the people. They do not move on social terms with the people. They treat the Indian merchants with contempt and the merchants also have come to treat these bankers with contempt. Brotherly feeling is what is wanted.

Q.—Apart from that what about the agent who has a firm in Madras and a branch in Madura; does he give yarn only for cash?

A.—It is all on cash terms only. Rally Brothers and other firms do not allow any credit at all especially after the War.

Q.—The capitalists give yarn to the actual weaver and the weaver gives it to him after weaving?

A.—Yes.

Q.—Small capitalists buy for cash or short credit?

A.—The weaver takes the stuff to weave and gets in advance the materials.

Q.—Very little in cash?

A.—Quite a small amount.

Q.—Then he weaves the cloth and takes it back to the capitalist who supplied the raw material?

A.—Quite so.

Q.—The capitalist puts an artificial barrier by supplying the raw materials at 10 per cent above the market rate so that the man might not sell it outside?

A.—The weaver is not able to sell it at the market price as he has taken the raw materials from the capitalists. The man is not able to sell in the market as he has purchased it at an inflated price.

Q.—He has not paid for it?

A.—Yes; it has been credited to his account. He will be a loser if he sells in the open market.

Q.—Suppose he does so because he has no idea to pay for it?

A.—There is an account and it has been put into his account. Thus he is prevented from selling it outside.

Q.—I do not catch the practicability of enforcing it?

A.—He is destined to ruin himself and sell it at lower rate?

Q.—The point is that he has never paid for it?

A.—No; there is his credit. He will have to pay.

Q.—Am I right in supposing that the bulk of the weavers are considerably in debt to the capitalists?

A.—No; a shrewd weaver would not be in debt. The intelligent weaver whose demands are not much and who lives economically can be free from debt. But 50 per cent of the weavers are indebted to the capitalists.

Q.—Is there any prospect of those weavers getting out of that debt?

A.—The only thing to make them free from debt is to give raw materials on credit system. If we make arrangements to supply them with yarn and silk laces on the credit system and make it a finished product then they will be free from debt. So long as he is there to go and look to the capitalist he will be in debt.

Q.—He can be given credit until he pays off his debt?

A.—Nobody would give him when he is already a debtor.

Q.—Is there no security for further credit?

A.—Excepting his loom and weaving instruments there is no security?

Q.—Besides supplying yarn what part does the co-operative societies play in the weaving industry?

A.—I started it. I planted it. During my absence in England an enthusiastic worker was managing it. He wanted to learn some experience. He distributed ten thousand rupees to the weavers. The weavers brought cloths which were not fit even for curtains. This gentleman was not able to examine and see whether it was properly woven. Thus we had to lose about ten thousand rupees on that experiment.

Q.—You are getting some profit on account of the sale of yarn?

A.—It is the sale for commission at 4 per cent. If you really want to help them you should lend them money to pay off their old debts.

Mr. Gopala Menon: You are fully acquainted with the yarn and dyeing business of this city?

A.—I have not got sufficient acquaintance with the business.

Q.—You said a little while ago that the bulk of yarn trade business is in the hands of four big people in Madura City?

A.—Yes.

Q.—They mostly buy Manchester goods from Messrs. Rally Brothers, Gordon and Woodroffe, Taylor & Co. and Tetley and Witley. You said that these dealers have to pay cash down immediately?

A.—They have to pay cash on delivery of the bill. If it is a consignment order it is on clearing the shipping documents.

Q.—Is it the case with all those four firms?

A.—Yes.

Q.—In Madras they give credit?

A.—I do not know much about it. Before the War they were giving credits.

Q.—I want to know whether the importing firms are really financing or helping the yarn traders here?

A.—There is not much credit here.

Q.—Do you know that some firms have got branches and they keep stock and deliver goods?

A.—Messrs. Rally Brothers have got a selling agency. They do not give credit at all.

Q.—Any other important firm?

A.—Messrs. Beardsell are dealing on artificial silk and they have started on cash business.

Q.—No other firm?

A.—I know of those firms only.

Q.—The yarn which these four people purchase, are they using it themselves or delivering it to small weavers?

A.—They purchase it for local consumption.

Q.—Is it all coloured? What kind of yarn they buy? Grey, white or coloured; bleached or unbleached?

A.—Yarns which are dyed at Madura are below 40 counts. Very rarely 44 to 54 are dyed and that too in a small quantity.

Q.—Yarns which they dye are woven into cloth?

A.—Yes.

Q.—Those they buy below 40 counts are all dyed for sari work?

A.—Yes.

Q.—Has Madura developed in dyeing trade?

A.—Yes. It was started in the year 1897.

Q.—I wish to know whether the yarn which they dye are made in Indian mills or imported from other countries?

A.—The yarn which is dyed locally at Madura are all local mill yarn.

Q.—Do you know whether they are using any Japanese yarn?

A.—The bulk of it is Indian mill-made yarn.

Q.—Has Madura developed in dyeing business? To what parts of India Madura is exporting this yarn? Do they export outside Madras?

A.—No. All that is dyed in Madura is consumed by the following districts: Tinnevely, Madura, Coimbatore, North Arcot, South Arcot, Salem, a little of Nellore and Northern Circars.

Q.—Wherefrom do you get dyes?

A.—We get it from Germany.

Q.—Before Madura developed the dyed yarn trade do you think that the imported coloured yarn business thrived?

A.—Mr. Chatterton has drawn a monogram on that. It developed from 1877 till 1913. War had nothing to do with that. War killed the dyeing business. I was sent on deputation to the British dyeing company at Silvertown for getting alizarine. War had nothing to do with it.

Q.—What I want to find out is whether Madura has developed in the art of dyeing lower counts of yarn and whether it is competing with the imported coloured yarn, both Manchester and Glasgow?

A.—The business has developed from 1900.

Q.—You told the Chairman that the co-operative societies are doing yarn business; nothing in the interest of the weavers?

A.—They are doing their business which does not improve the interest of the weavers but their object is to help them.

Q.—Do they buy yarn locally or from Madras?

A.—They buy it locally.

Q.—Do you think that they are making their purchases to their best interests?

A.—If they were to go out of Madura they will not be doing more economically.

Q.—I wish to know whether the facilities for financing the internal trade in the city is adequate and what agency is financing this trade in the town.

A.—Financing facilities are not adequate.

Q.—In what respects?

A.—Banking facilities are to be expected from the Imperial Bank, India Bank, merchants and Multanis.

Q.—How is the internal trade financed starting with the threshing floor till it reaches the town?

A.—The money-lenders finance these people who want to purchase.

Q.—Do merchants finance them?

A.—The business of the money-lender is to advance money for these people.

Q.—Are they also merchants?

A.—Yes. The man who lends money in very rare cases may be a merchant pure and simple.

Q.—Do the wholesale merchants go and purchase the commodities or are those commodities brought to their place?

A.—There are certain articles which are ordered wholesale like chillies, cotton seeds, other *narodanyams* and dhoil. These things are purchased from the places where there is a large crop and as regards cotton trade they are locally purchased. The people who grow them stock them and the stockists purchase and sell them to the people.

Q.—What is the part played by the indigenous bankers in this trade?

A.—Bankers purely lend money. He is getting 10 or 15 per cent interest.

Q.—Does he not risk his money? Does he lend on those commodities?

A.—He never lends on the pledge of commodities.

Q.—On what terms do they lend?

A.—On the security of two persons.

Q.—For what period?

A.—Ninety days. For this short time they get a high rate of interest. They take hundies.

Q.—You have got other class of money-lenders and joint-stock banks. What is the difficulty in obtaining an advance from joint-stock banks or other banks which are lending at a lower rate of interest.

A.—The difficulty is this. There is always the eternal fear that we have to pay on the due date. Otherwise they will tom tom and say that so and so has failed.

Mr. Thomas: Is that fear well grounded?

A.—Yes. The indigenous banker has not got that machinery.

Mr. Gopala Menon: You say that the rate of interest of the indigenous banker is high and still the people in the villages are willing to go to the indigenous bankers. Have you any suggestions to make for the improvement of rural finance?

A.—Fill other banks up with all Indians.

Q.—It is all run on Indian lines and by Indians?

A.—Even though run by Indians the sting is there. There must be a law for both the borrower and the lender and summary procedure must be got away. There should be a good relationship between the customer and the banker.

The Chairman: You will not cut the bottom of credit?

A.—No, I will not.

Q.—You want to give him the concessions and at the same time not to worry him if he does not pay on the due date?

A.—Give him some grace.

Q.—What is the basis of credit? Is it not prompt payment?

A.—Yes. But he expects another man will pay him and that another expects a third man to pay him and thus there is a sort of a chain of disappointments.

Q.—What is that due to? Is that due to dishonesty or slackness?

A.—It is poverty and not dishonesty.

Mr. Gopala Menon: You are now fighting for rural reconstruction and things like that. Along with the rural uplift we want to raise the credit of the villager in some way or other. As a public man it is your duty to help the committee by suggesting ways and means for doing that. You have visited England and other places and you have seen very many banks. You must be in a position to suggest some ways and means.

A.—I see that. I am only asking for that boon.

The Chairman: But is it a boon?

A.—The little facilities that you will be offering will be considered by them to be a great boon.

Mr. Gopala Menon: What we want to know is how to organize the village credit. The thing is there ought not be any difficulties in the way of people who can lend money.

Q.—They are getting credit from the co-operative primary societies. In the same way do you think that joint-stock banks can be brought into existence in the villages?

A.—When these banks go to the villages the villagers will really understand their value. Now the banks are all in the cities.

Q.—So you say that it is the want of banks in the villages that is the cause?

A.—Yes. The bank has not gone to the village. But I want the banks to be taken from the cities into the villages and make the villager understand that here is a good thing.

The Chairman: Will the man that runs the bank be in the village?

A.—Yes. I will put the population of the village at 5,000 or 4,000 and not a few hundreds.

Q.—Do you quite agree with the statement made in the Agricultural Commission's report? You suggest that further credit facilities should be given to the ryots?

A.—At least six months' credit should be allowed to them and not the present short term of 90 days' credit. The man takes the money home and before he has any time to get money for repayment the period of 90 days is over. He must be given longer credit and the banks must receive the money in instalments. A man may borrow Rs. 600 and he may not be able to pay the whole amount in a lump sum but he may be able to save something monthly which, if not got by the lender in time he may squander in performing marriages, nuptials and other ceremonies.

Mr. Thomas: You are speaking of the villagers?

A.—Yes.

The Chairman: Is the period from the time he borrows till the time he reaps the harvest six months?

A.—Between the sowing season and the reaping season there will be only 120 days and therefore six months' credit will suffice.

Mr. Gopala Menon: The chief handicap now for financing by banks in the rural area is the absence of guaranteed custody of goods. Have you got any proposals to make?

A.—I would say in regard to that there should be bonded warehouses. There the goods which are finished goods, like dyed yarn, are packed into bales so as to occupy less space.

Q.—By whom should it be run?

A.—By the banking authorities.

Q.—Should it be on a licensed system?

A.—The present system will do.

Q.—What is the present system?

A.—That which is done in regard to paper.

Q.—Do you want the Government to build the warehouses and lease them out?

A.—No. They may as well take sufficiently good houses that are already in existence and where there are enough facilities.

Q.—Who is to be held responsible for maintaining these warehouses?

A.—That can be laid on the chairman of the municipality or some special body may be appointed for the purpose.

Q.—Do you want deposits to be taken from the people who run the warehouses?

A.—Yes.

Q.—Do you find any handicaps in accepting the railway receipts as titles to property?

A.—There are certain businesses which differ. Goods are sent to some customers on credit and there the railway receipts will not have a money value. If they are sent as V.Ps. then they may have a money value and serve the purpose.

Q.—Do you want the present risk note forms to be changed to that end?

A.—I want a lot of alterations to be made there.

Q.—You think that the railway receipt must be altered?

A.—It must be. It only protects the railway. But it leaves the people in the lurch.

The Chairman: It is said in the Agricultural Commission's report that to lavish credit on those unaccustomed to its proper use is to condemn the borrowers to certain financial destruction. Do you agree with that statement?

A.—I think that the picture is rather overdrawn.

Q.—That has caused too much trouble—lending money to a person who does not know how to repay.

A.—To give facilities of easy credit is not to condemn the borrower.

Mr. Thomas: You were speaking of the money-lender being more generous than the bank. Is it really an advantage?

A.—It is not exactly an advantage. The money-lender does not put the rope round the neck of the borrower all at once on the date when the period expires. It is only a question of a little more time.

Q.—But should not the lender insist on the payment on the due date if he is to get the money?

A.—Theoretically speaking the lender must remind the borrower to keep his word.

Q.—Does not sound business depend upon the punctual performance of contracts? Is laxity in enforcing such contracts beneficial in the long run?

A.—We should allow the people some time to learn. For some time it should not be enforced internally. You must give them some sort of facilities until they learn. You must extend it to one or two years by which time they will have learnt the value of payment in time.

Q.—You were talking of urban credit?

A.—Yes.

Q.—Do you think that urban classes want only short-term credit facilities?

A.—The present short-term is the idea taken from the Provincial Insolvency Act, making the transfer of property within 90 days of the filing of the insolvency petition null and void. In the case of such transfer the Multanis will not be affected because they resort to the 90 days' credit.

Q.—So the transactions with the businessmen should be such as could be concluded within a short period?

A.—I do not say that.

Mr. Gopala Menon: We were told during the last few days that the bankers here feel a good deal of difficulty in not getting their suits heard in a short-time. Do you think that there is any truth in that complaint?

A.—I think that even now the courts are going at a break-neck speed because the statement of disposals, and even graphs are being asked for by the judges and even then they ask why there is a delay, in spite of the fact that they are going at such a speed. In regard to these bankers, to my mind it appears that the moment they rush into the court and file a suit they want it to be disposed of. That will be simply bringing the British justice into contempt.

Q.—What is the usual time taken for a money suit on a pro-note?

A.—120 days. It is only when there is guilt on either side that the matter comes to the court.

Q.—Do you agree with them when they say that summary procedure should be adopted?

A.—It should not be adopted.

Q.—Do you think that these bank suits should be heard by an arbitration board for the sake of speedy disposal?

A.—I am in favour of arbitration boards for the disposal of suits as well as the ordinary civil courts hearing suits. In arbitration boards also there will not be miscarriage of justice.

Q.—Is there any difficulty felt on the part of the bankers in having their suits heard in proper time?

A.—What I understand is that these bankers want facilities for getting the property the moment they get the decree. It is that facility that they want.

Q.—So you do not think that summary procedure should be adopted in the mufassal towns?

A.—It will not be in the interests of the borrowers who should be given as many facilities as the lenders enjoy.

Q.—But in the alternative you are for suits being heard by the arbitration boards?

A.—Yes. I have more faith in their wisdom.

Mr. Thomas: It was represented that in recent times the Imperial Bank and other joint-stock banks are dealing directly with the businessmen and that it works hardship on the indigenous bankers. Is that true?

*A.—*The Multanis must die a natural death. He is an exotic plant. I am a great believer of Mahomed Nibi. I would for that reason become a Muhammadan to-day. The religion that eschewed interest is the religion for India.

*Q.—*Why do you call the Multani an exotic plant?

*A.—*He is a very Shylock. He sucks the life blood out of the people.

*Q.—*Are they serving a legitimate purpose in this country?

*A.—*They want to make money out of the purses of others. If they lend at the usual rate charged by the other institutions, then it is an institution which I would like. But as it is the Multani should go bag and baggage.

*Q.—*What about this tendency on the part of the Imperial and other joint-stock banks dealing with businessmen directly?

*A.—*It is an exaggeration on the part of these indigenous bankers that the other banks are trying to find out their clientele and attract them. On the other hand, the man who has been going to the Multani after being stung by the scorpion goes to the joint-stock banks.

*Q.—*What advantage does he get thereby?

*A.—*The rates are considerably less, at least 5 per cent less than they have been getting from the Multanis.

*Q.—*But do not the banks insist on double signatures?

*A.—*There is the trouble. I want the banks to take one signature and to take the security of house property.

*Q.—*But is not the Imperial Bank precluded by statute from taking security of immovable property?

*A.—*I am speaking of a new bank that should come into existence.

*Q.—*Why should not the Indian joint-stock banks do that?

*A.—*When all the moneys of the country are in the Imperial Bank it is but right and proper that we should expect the Imperial Bank to do this. So long as it is using Government money I will ask them to give us the facilities.

*Q.—*You spoke a while ago that the bank is a serpent. What did you really mean?

*A.—*I was having in mind the instance of the Chinnia Komba people. They were a noble family and had a very good business for years together. The man who was conducting the family business was not able to meet the demand one day and all the officials went to him and demanded payment. Naturally he could not meet all their demands and they locked his shop and one of the biggest families, the owners of the Chintadripet market in Madras, was ruined. There the cashier did a hasty action and as a result of that all the officials flocked in and put all sorts of difficulties on the way. After all, what they got was only a very small sum. I do not accuse anybody of corruption or other things.

*Q.—*Do you mean to say that there are many difficulties in the matter of approaching the authorities with application for loans?

*A.—*The lowest official will not allow. He will say that the applicant is not trustworthy and so on.

*Q.—*Who are the actual persons at the bottom of this trouble?

*A.—*The cashier of the bank. He is the handi-coot.

*Q.—*Has the cashier such absolute authority? Is he invariably disinclined to help?

*A.—*There are good fellows and there are bad fellows among them. It is through the cashier that the applicant has to go and he will not allow him to go until all these jamabandi handohusts are made.

*Q.—*You spoke of the Multanis' rate being hard. It is said that they lend at 2 per cent above the bank rate. Is that hard as things are to-day?

*A.—*What is put on paper may not seem to be hard.

*Q.—*What then, is their actual rate?

*A.—*12 to 15 per cent. I can ask some people to produce their discharged pro-notes for Rs. 10,000 and Rs. 12,000.

Q.—Will you produce them?

A.—I will try to, but I cannot give you an undertaking.

The Chairman: But do they represent the real transactions?

A.—Yes. Why, their accounts will prove that and nobody is going to inflate the accounts.

Mr. Thomas: Do they always receive the amount mentioned on the promote or is the interest deducted at the outset?

A.—The Multanis deduct interest, commission and everything at the beginning.

Q.—Is it the same with the larger loans also?

A.—Here the clerk will attend to those things.

Q.—You think, therefore, that it is necessary that businessmen should directly deal with the Imperial Bank?

A.—Yes. It is then only that there will be safety.

Q.—What are the other difficulties that now stand in the way?

A.—Every month a list of the names of the local persons with the limits to which they could be trusted should be prepared by the advisory board consisting of local merchants and such men should be given on their own security and no joint secretary should be insisted upon.

(The Chairman left and Mr. C. Gopala Menon presided.)

Mr. Thomas: Are there any Marwaris here?

A.—There are no Marwaris in Madura, excepting three or four Multanis.

Q.—You know about the business of the Kallidaikurichi Brahmans?

A.—Yes. S. N. Subbier's firm has come here.

Q.—How do their terms of business compare with those of the Multanis?

A.—At least they may show a concession of half a per cent. There is not any very large difference between the two. In principle they both go together.

Q.—What is the profit that these indigenous bankers get on their transactions, after deducting what they pay to the Imperial Bank?

A.—Leaving all margins, they must make 4 to 5 per cent.

Q.—Has not that margin been reduced by competition?

A.—They are sometimes hit also with bad losses and bad debts. So they have to raise their margin of profit.

Q.—Do you not think that the Multanis are clever in collecting their debts?

A.—Here and there they find some difficulties.

Q.—What is the nature of the financial dealings of the Nattukottai Chettis in this city?

A.—The Nattukottais simply are doing *dinasari raddi* business, taking Rs. 5 for every Rs. 100. That is the *kandu* system.

Q.—What do you think of that system?

A.—It is the worst system that ever is allowed to exist on the face of the earth. If it is worked out the interest comes to 40 or 35 per cent. Only the Ravuttars resort to such loans and even though they have been very prosperous in their trade they have come to grief.

Q.—Is it not a convenient system by which the amount borrowed can be repaid in instalments?

A.—That is only in appearance. The lender knows very well that the instalments are not going to be paid in instalments.

Q.—Suppose he does not pay the instalments on the due dates. What happens?

A.—The debtor will be sued for the whole amount all at once. The court comes there with its salutary provision that this is penal interest and reduces the penal interest.

Q.—Are not all these transactions entered in their books?

A.—They may keep a number of books.

Q.—Do you know of any such actual case?

A.—I know that at least for income-tax purposes they have duplicate books.

Q.—In regard to this kandu system, what are the inconveniences felt by the borrowers?

A.—In the kandu system the interest when actually worked out is very very severe. The rates are simply exorbitant.

Q.—Are there any cases in which the money-lenders do not enter the amounts paid?

A.—I do not know whether such complaints are true or not, but the complaints are there.

Q.—Is it true that the other money-lenders also are giving on the kandu system?

A.—There are a number of people giving on the kandu system here. Actually a number of people came to me and asked me 'Why do you not put down this kandu system?' and I replied 'Give me the particulars and I shall make a move in the matter'. All people are shedding tears actually over the horrors wrought by the kandu system.

Mr. Hameed Sultan Maricair: Do the Multanis practise the kandu system?

A.—No.

Mr. Thomas: Who then are the others practising it?

A.—The *sukhavis*.

Q.—What are the classes that come under the category of *sukhavis*?

A.—Any man having plenty of money and living at ease.

Q.—Do they belong to different communities?

A.—Yes. That is not confined to any one particular community. It is only the Muhammadan gentlemen that do not partake in it.

Q.—What percentage of the transactions in this city are of this nature?

A.—About an eighth part of the transactions in the city can be said to be of this nature.

Q.—Coming on to weaving, could you tell us why the weaver is bound to give his finished goods to the capitalist?

A.—That is because of the *oppandam* system. For instance, I engage 50 weavers and I give them the warp, the bamboo and all the accessories and the appliances for weaving. It is the capitalist who supplies even the gold thread. The weaver only contributes the labour and he sells it at so many annas a cubit. The prices at which these raw materials are supplied to the weaver have been so much enhanced that the weaver cannot go out and find a sale in the market for him to get any margin for himself after meeting the amount due to the capitalist.

Q.—What remedies would you suggest for this?

A.—In my opinion big co-operative societies must be started supplying raw materials necessary for weavers, including silk, yarn, gold thread, etc.

Q.—Have you made any experiment in that direction?

A.—We have not made any experiment in that direction. But my suggestion is that if we stock all these raw materials, such as yarn from Manchester, French gold thread and artificial and real silk from Japan and supply them to the weavers on six months credit, it will go a great way towards solving the problem.

Q.—Do they find any difficulty in marketing their produce?

A.—There is absolutely no difficulty in marketing them. Only the weaver must not be allowed to have his own ways. If he is not properly checked, he will begin to swindle. So a careful watch ought to be put on the weaver so that he produces only the saleable commodities. If that is done, we would have solved our difficulties.

Q.—What is the reason for the slow development of co-operative societies in this direction?

A.—There is co-operation and there are co-operative societies. They are now slowly developing. But they are not enough. We want really people who will have some experience in the business. The office-bearers of the co-operative societies come in by popular votes. They have no experience of the business and, while such is the case, how can we expect the co-operative societies to develop rapidly in this direction?

Q.—Suppose the whole business is organized on the same basis as a capitalist enterprise with expert advice and up-to-date appliances. May it not succeed?

A.—I thank you for your suggestion. We have not yet tried that.

Q.—In regard to such large enterprise, do you think that honorary work will be of any use? Is it not worth while employing paid hands?

A.—I think it will certainly pay.

Q.—Can you tell me the relation between the toy-makers in the city of Madura and the toy-stockers that trade in them?

A.—There are a few merchants who are engaged in toy trade. They generally advance money to the artisans. They also give them yarn, silver, etc., for preparing the toys. They only give them the charges or the coolie for making the toys and export them to foreign countries, such as America, Brazil, etc. The people of America buy these toys for placing them in their museums. The result will be that the toy-stockers only get the profits out of them, but the poor artisans are simply to remain content with their coolie.

Q.—Do you think that there is much sweating going on here?

A.—I cannot say that there is a great deal of sweating going on. The profits go only into the hands of the middlemen, while the artists do not get the money they deserve. They only get a living wage, if not a sweating wage. If they were to have the profits which the middlemen now take away, they will be able to get twice or even thrice the amount they are now getting.

Q.—Have you tried any methods on a co-operative basis to remedy this evil?

A.—I have not tried any seriously. On one or two occasions I have tried, but that has not proved a success. We had plenty of miserable experiences.

Q.—Was it due to lack of organization?

A.—It was due to several causes, but lack of organization was the prime cause. That failure has strongly impressed into our minds the necessity for a strong organization. The artisans must be asked to go and work in a sort of common place, say, a school, or an institution. Madura has won a famous name for its good carving industry. If this is organized by some big capitalists, it is sure to pay. There is a large demand in Germany, America and other places for Madura articles.

Q.—Then why not you organize a co-operative society chiefly for marketing purposes?

A.—I think it may be done.

Q.—Could not such a society supply the artisan with the necessary raw materials, and make advances to them and above all, could they not establish a regular relationship with other countries. Have we studied our markets properly?

A.—I welcome the suggestion. If only a handful of people join together and take interest in the matter, the problem may easily be solved. It is only a question of men, with willingness to join.

Q.—Do you not think that some of those people who have money could really make a better income if they so organize?

A.—I said it is undoubtedly possible. But there is also at the same time the fear of competition. If one society is started like this and if it really proves profitable, there will be ten societies immediately started to crush its business, and there will be unnecessary and unfair competition.

Q.—You spoke of three grades of weaving trade? Can you tell me what they are?

A.—The first is the poor weaver who spins and sells his yarn in the towns. The second is the capitalist weaver who himself weaves and organizes the weaving trade. He starts four or five looms, engages coolies to work at them. He sells the produce to other people and thus makes money. The third is a bigger capitalist who encourages the weaving industry as a whole. He collects the number of weavers, opens a big factory, and asks them to work in it. He himself opens a shop to sell and to export the produce and thus earns a bigger sum.

Q.—You expressed the opinion that the laxity of the indigenous money-lenders in regard to repayment is an advantage. Do you not think that it will lead to the ultimate ruin not only of the borrower but of the lender as well?

A.—Ultimately it may, but rarely it does! It is not the ruin that he is very careful about. It is honour that he wants to maintain and it is the honour that he does not wish to lose. Under this impression he lives throughout his life. He is more or less a spoiled child and when this impression gains ground, he cares very little for his ruin. But he is at the same time careful enough to see that he gets his money back; he is making more and more money by giving this concession or that. He lives among the people, he knows their circumstances, their standing and their ability to repay. If with all these a crush comes in, he must meekly submit.

Q.—You know that in recent times the Marwaris (if not the Multanis) have also settled in villages and are lending money to villagers freely? Do you think that it is advantageous to the ryots?

A.—After their advent several families have come to grief.

Q.—Do you know of specific cases?

A.—There may be about six or seven families to my knowledge. They are first of all very lavish in their credit, but when time goes on they begin to shine in their true colours.

Q.—Do the Multanis compete vigorously with the Indian joint-stock banks?

A.—They do not compete; in fact they cannot. They have not touched even the fringe of the industrial population.

Q.—Is not the Multani controlling the local money market to a large extent?

A.—The percentage of the two will be 75 and 25. It is only those people who are not getting any help from the joint-stock banks go to the Multanis.

Q.—Is it not a fact that most merchants and businessmen now require the assistance of the Multanis, as they have not established sufficient contact with the Imperial Bank?

A.—I do not think it is the case. People who have some culture and who know that they must pay in due course when they would not be troubled, only those people go to bank. But people who have no education and who are afraid of the terms imposed by banks do not go over there. It is only the latter that go to the Multanis.

Q.—Is their business now on the increase?

A.—I do not think it is so.

Q.—Can you tell me why many Chettis have migrated from South India?

A.—The reasons are obvious and it is a delicate question for me to answer. I may also add, that there is one old village to my knowledge which was occupied by Nattukottai Chettis purely. Now after the failure of some of the Nattukottai Chettis, there is not one Chetti there.

Q.—Is it a fact that the extension of business outside India by the Chettis is due to very unfavourable conditions in this country? For instance, delay in civil proceedings, and increasing expenditure in such proceedings, frequent insolvencies and so forth?

A.—I think court's delays have not contributed to such an extent. I should think that they find more fools there who are likely to borrow from them at any rate they might demand. Here in India we have found them out. It is only there that they are able to spread their net.

Q.—Have you any intimate knowledge of their conditions?

A.—I have 40 years' experience with them in Madura.

Q.—Do you think that rates of interests during the last 40 years have gone down in the town of Madura?

A.—It is also rather a difficult question to answer. In some departments it has grown up, in some it has gone down, in some it has stabilized and in some others it has always been changing.

Q.—Are there sufficient banking facilities here?

A.—We have no banking facilities at all. I have already told that there are ever so many obstacles in the way. Unless all these things are removed, it is not possible to get any more banking facilities. It is easy for a man to export but it is difficult for him to import on the same terms as he exports. I may also say that there are no facilities for the internal trade.

Q.—What is it due to?

A.—It is not a question of lack of banking facilities in the up-country regions. If only our English friends will make up their minds to be more liberal, I think the problem is solved.

Q.—Is it a matter of English friends only? Does it not apply to our Indian friends as well?

A.—It is not a question of Indians at all. They have neither power nor position and it will lead me to a pretty good length if I am to answer that question. But only take alone the question of cheques. There are different colours of cheques, one for one community and the other for another, thus indicating shades of distinction. If one cheque of a particular colour is brought to the bank it is easily honoured. The other cheque takes a lot of time to be cashed.

Q.—I do not know of any such thing.

A.—It is news to me. As a matter of fact there is. The cheques bear different colours which lead to different treatment. If the colour of my cheque is to their taste, they pass it on immediately.

Q.—Have you anything to say about the difficulties in regard to the remittance of money?

A.—We are not getting any proper interests on the amounts we have. Nor are there any facilities afforded for raising any overdraft. If I want an overdraft of 3,000, a lot of questions are asked and impossible restrictions are imposed on me.

Q.—Can you suggest any methods to overcome the difficulties you refer to?

A.—In the first place we must have an advisory committee formed in each bank which must draw up a list of persons to whom money must be lent on the single signature with any other additional safeguards if necessary, among the various applicants for loan. If this is done, it will go a great way towards minimizing the difficulties which many people now-a-days suffer.

(The witness then withdrew.)

Thursday, 30th January 1930.

MADURA.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ey. G. V. GANESA AYYAR Avargal, B.A., B.L., Secretary,
The Tanjore Permanent Fund, Ltd., Tanjore.

Oral evidence.*

The Chairman: You are running the Permanent Fund in Tanjore?

A.—Yes.

Q.—Any difficulty about that? What does it do?

A.—The fund is both a savings institution and a lending institution. The fund is based on the share system, extending over 45 months. The value of each share is Re. 1. People go on paying one rupee a month for 45 months and in the 46th month they are paid Rs. 50. During these 45 months the major portion of the profits are also distributed to the subscribers. For the Rs. 45 that the subscriber pays he will get a minimum of Rs. 51 and a maximum of Rs. 52. In the 46th month he gets Rs. 50, Rs. 45 being the amount paid by him and the remaining Rs. 5 being the guaranteed interest. Out of the profits of the fund also he gets Re. 1 or more.

Q.—How often does he get his profits? Is it once a year?

A.—Yes.

Q.—On what he has actually paid up-to-date on the share?

A.—Both on the basis of the money paid by him, the number of shares taken by him and the number of months those shares have run.

Q.—In that way you raise share capital?

A.—What we call share capital is raised in that way.

Q.—The value of a share is shown as Rs. 50?

A.—Yes.

Q.—What do you do with it?

A.—The major portion of the money is loaned to subscribers themselves. We do not have transactions with outsiders at all. We lend only to subscribers.

Q.—On what security?

A.—On security of property. No personal security is recognized. Amounts are lent only on the security of jewels, immovable property, Government promissory notes, or gold or silver bullion. Recently we have started lending on produce. That was only 2 years ago, and it was done by a special amendment of the memorandum of association.

Q.—You do not lend on the security of share capital?

A.—On the amounts already subscribed by the subscriber, we pay 94 per cent. 94 per cent of the amount actually subscribed by him is advanced to him in the first year and 95 per cent in the second year and 96 per cent in the third year.

Q.—How does he repay?

A.—The amounts are repaid by continuing the subscriptions and when they mature that amount is adjusted towards the debt.

Q.—What is the rate of interest?

A.—6½ per cent.

Q.—In all cases?

A.—Yes, in all cases, i.e., one pie per rupee per month.

Q.—Is the interest calculated monthly?

A.—Yes, monthly. Just as he pays one rupee every month and we give him Rs. 50 at the end of 45 months here also it is the same thing but the process is reversed. We give him Rs. 50 and he pays back every month one rupee and the interest for that month. If he has borrowed Rs. 500 he pays every month Rs. 10 and 500 pies.

Q.—If it is not paid?

A.—We charge him interest, that comes to 3 pies per rupee.

Q.—That is charged on?

A.—Arrears of subscription.

Q.—On arrears of interest also?

A.—Yes.

Q.—And that is in addition to the 6½ per cent?

A.—That includes the 6½ per cent. This penal rate is charged during the currency of those 45 months. If the period of the shares terminate the remaining amount carries interest at 12 per cent.

Q.—Who runs the fund? Who controls the fund?

A.—A body of directors selected by the share-holders themselves. Four of them retire every year.

Q.—How many are there?

A.—16. But these directors are not paid anything at all. They are all honorary workers. They do not get any sitting fee or directors' fee. They also get no share of the profits. I am proud to say that during the past 8 years not one meeting had to be postponed for want of a quorum, except one.

Q.—Then what is the incentive?

A.—It is purely service.

Q.—You are the paid secretary?

A.—Yes. The directors include several leading lawyers of Tanjore and all of them are self-sacrificing enough; otherwise they could have utilized that time in earning money in other ways.

Q.—When are the meetings held?

A.—On Sunday mornings. That is why Mr. Israel, the headmaster of the local high school when he took up orders resigned the directorship because he found it impossible to attend the meetings.

Q.—What about produce loans?

A.—We lend on all sorts of produce except groundnut.

Q.—Why not lend on groundnuts?

A.—That commodity is liable to seasonal changes to a greater degree than any other produce. They are also liable to decay.

Q.—Up to what percentage of the market value do you lend on produce?

A.—Three-fourths of the market value at the same rate of interest. We have no separate godowns of our own.

Q.—Where is the produce stored?

A.—In the borrower's godown. We seal it with our own lock and key. Whenever he wants to take any produce he has to apply to us.

Q.—You do not lend on groundnuts?

A.—No.

Q.—It is all on paddy?

A.—We lend on 16 kinds of commodities.

Q.—These loans are given to any member?

A.—Yes, only to members.

Q.—These members are mostly dealers?

A.—Yes, merchants.

Q.—There is no question of lending to ryots?

A.—They do not generally come to us.

Mr. Thomas : Do you keep watch over those godowns?

A.—Two of the directors are deputed to go and inspect the godowns and they go and inspect them periodically.

The Chairman : How long have you been carrying on this business?

A.—The permanent fund or the produce loan department?

Q.—The produce loan.

A.—For the last two years.

Q.—You had no difficulty?

A.—We were not able to make much profit as the overhead charges were very much. It left us only very little margin.

Q.—Where do you get money for this?

A.—From the amount subscribed by the share-holders.

Q.—Have you any material amount in deposits? Do you receive deposits?

A.—We receive current deposits.

Q.—Only current?

A.—We have got more than Rs. 3,00,000 by way of current deposits and that money is also utilized.

Q.—What is your share capital?

A.—The amount actually paid up by way of subscriptions is nearly 23 lakhs.

Q.—And the deposits?

A.—Rs. 3 lakhs. We do not take in fixed deposits.

Q.—What interest do you pay?

A.—2 per cent on all amounts up to Rs. 5,000.

Q.—You guarantee to pay the depositor on demand?

A.—Yes.

Q.—There is no saving clause about cash being available?

A.—We have provided ourselves with that safeguard.

Q.—So it is not really current account?

A.—As regards that we are bound to pay it on demand.

Q.—But you say there is the safeguard?

A.—That is only with regard to subscriptions. We cannot say that with regard to current depositors. That article (48) does not apply in the case of current deposits. It is only a safety valve which is never observed in ordinary working. We proceed on the ordinary banking principle that money on current account should be paid whenever it is demanded.

Mr. Thomas : Do you issue cheque books?

A.—Yes, we have our own cheque books.

The Chairman : What is the bulk of your business? What is the extent of your loans? Have you got more money than loan applications or more loan applications than money?

A.—Till now we have not experienced any difficulty in meeting any loan application.

Q.—So you have excess of funds?

A.—Yes. In spite of that our outstanding loans come to nearly Rs. 25 lakhs.

Q.—The bulk of your loans are outstanding?

A.—Yes.

Q.—What is the bulk of your business?

A.—Loans on immovable property. That accounts for nearly Rs. 14 lakhs.

Q.—By mortgage?

A.—Yes.

Q.—What is the purpose for which generally loans are borrowed?

A.—From mere purchase of other property to the family expenses and expenses on account of marriage, for purchase of plough bulls, etc.

Q.—How do you make your money?

A.—Only by way of subscriptions.

Q.—Where does the profit come from?

A.—I can plainly state that the major portion of the profits is got from the irregularities of the debtors.

Q.—Do you take any steps to make them pay on the due date?

A.—Yes, there are articles 39 and 41. We send them notice after notice asking them to pay the money.

Q.—What about the Companies Act? There are a few snags. You have not got your paid-up share capital or your subscribed share capital is not paid up. In the first place, 5 per cent of that amount is not paid up. In the second place the share capital is not precise. In the third place the share capital is withdrawable. These are the 3 snags. Are they essential?

A.—That comes out of the fact that our monthly deposits have to be called shares in order to comply with the provisions of the Companies Act.

Q.—Why have they to be called shares?

A.—There is no particular reason underlying that. We have to comply with the Companies Act and since the Companies Act requires joint-stock companies to have shares, we also call them so. We have put the right thing on the wrong head.

Q.—Is there any difficulty in calling it by the right name?

A.—It can be done.

Q.—Then with regard to the difficulty of withdrawal of the shares without the permission from courts, would it not be sufficient to have the shares transferable? Is there any objection?

A.—The man whose needs are great for cash may not be able to find at once a transferee. That is why he comes to us and asks us for his money and we pay him.

Q.—You allow transfer of shares?

A.—These have to be ordered by the directors at their weekly meetings.

Q.—Why?

A.—Some powers are reserved to the directors under the Articles of Association.

Q.—Would you consider that it is necessary that the directors should have that power?

A.—The directors want to scrutinize every transfer, otherwise members of the establishment may take advantage of the pressing needs of subscribers and they would like to double in these shares. So these transfers have to be scrutinized by the directors.

Q.—The directors have the power to reject an application?

A.—They do have that power.

Q.—The shares are transferable at will?

A.—Yes.

Q.—The company law is so established that it has got to be adhered to.

A.—Except for the restriction as to share capital we are prepared to abide by all the other clauses.

Q.—Some nidhis are nidhis and they have definitely altered their Articles of Association to conform to the Companies Act. They have made the shares only transferable and limited their shares to Rs. 5 per share payable in full.

A.—That is complying with the provisions of the Companies Act.

Q.—Your shares are only deposits. Do you see any difficulties in calling them like that?

A.—We can comply with the Companies Act by having shares of Rs. 1, calling them permanent shares and making them fully paid up and the other can be called deposits.

Q.—You think then there will not be any difficulty?

A.—The thing is this. The deposits are repayable after a particular period. People who take loans get their loans liquidated by the payment of the shares for the term. Why should we superimpose upon that constitution a sort of permanent share capital by asking each subscriber to take at least one share of the permanent share capital, just to comply with the Companies Act?

Q.—Your share capital is not a share at all?

A.—No. So also in the building societies of England there is no permanent share capital. There are only these term shares, the shares expiring with the expiry of the months for which they have been subscribed for. There is no need for any permanent share capital.

Mr. Thomas : They do not come under the company law in England?

A.—They are not governed by the provisions of the Companies Act. They are governed by a special Act, so that the only two questions that arise in dealing with these is whether they cannot be retained under the Companies Act or if not whether they have to be governed by a special Act.

Q.—If they are to be under the Company law they have got to be modified.

A.—Cannot the Companies Act be modified?

Q.—No. The company law in all countries is based upon certain fundamental principle. What are the special reasons that warrant such a modification in India? The question is whether the nidhi can be modified or not. That is what we want to get at. What is the difficulty?

A.—If we have to comply with the Companies Act we have to adopt a fixed share capital and call the others plainly deposits, and for that the necessary changes should be made in the constitution.

Q.—Is there any entrance fee?

A.—Yes; three annas per share. He has to buy also one book of rules, the cost of which is one anna.

Q.—Some nidhis have altered their constitution to comply with the provisions of the Companies Act. Why do not all the nidhis do so?

A.—The nidhis of South India in their conference have passed a resolution to the effect that they may be exempted from some of the provisions of the Companies Act.

Q.—If you do not allow withdrawal of the share money, what is the result?

A.—The result is more money is available in the shape for the permanent share capital.

Q.—Only a small amount?

A.—No. Everybody who buys a share in the nidhi is responsible even now. But he has confidence now in the nidhi. The sole distinction between ourselves and joint-stock concerns is that whereas they exist for the benefit of private persons we exist for serving each other and we do not deal with outsiders but only with members.

Q.—Supposing the existing share capital is turned into deposit? What will be the effect?

A.—I believe there will be to a certain extent withdrawals.

Q.—Suppose you pay a nominal amount for share capital and make your deposits subject to a rate of interest plus a bonus as in the case of insurance companies. Would there be any withdrawal then?

A.—The question of liability will always exist even to the extent of Re. 1.

Q.—Members are no longer liable on the deposits.

A.—To the extent of their share in the share capital they will be liable.

Q.—Which would be presumably less?

A.—The liability will be much less. As things stand at present our depositors are liable to the extent of Rs. 50 for each share. That is the chief basis for the complaint.

Q.—You want to get out of that liability?

A.—We do not want to get out. According to law we are liable during the continuance of the share. After the shares mature depositors cannot be asked to be responsible.

Q.—Would they be?

A.—They will be.

Q.—How?

A.—The latest decision of the Madras High Court by Chief Justice Goutts-Trotter and another Judge has put the halters round our necks.

Q.—To what extent? How long is he liable afterwards?

A.—Till the debts due by the company are finally settled all the past subscribers are liable to contribute under the Companies Act.

Q.—If you withdraw those liabilities would anybody put money into current account?

A.—Yes; people have confidence in the administration. In fact we read in Nicholson's report that in some institutions there were permanent directors people who were appointed from the very inception permanently on account of the degree of confidence the shareholders had in them. They were not liable to change.

Q.—Have you ever considered the other point from the point of view of the Companies Act regarding regulation and the limitation of liabilities? The provisions of the Companies Act are intended to create confidence.

A.—Then a portion of our share capital will be withdrawn. Confidence in the nidhis still exists even though we allow our share capital to be withdrawn. If the nidhis cannot be exempted from the operation of these sections we have to seek our own salvation by urging for a special Act. It all depends upon the point of view from which you look at it. These are not commercial concerns and if only they are so have we to conform to the Companies Act. The popular opinion is that it is a mutual benefit association.

Mr. Thomas: Are you speaking of your own nidhi? Are there not nidhis that have allotted a major portion of the profits to the directors.

A.—Nidhis properly worked have to work like ours.

Q.—How many members have you?

A.—About 6,000 members.

Q.—Where are they?

A.—All over India, F.M.S., Burma and Ceylon. Non-Tanjorians also take shares.

Q.—You lend on property?

A.—We lend money on the property which is situated within the Tanjore district. As regards division of profit 70 per cent goes to subscribers and after taking the remuneration of the legal adviser and bonus all the rest is taken to the reserve fund.

Q.—What reserve funds have you?

A.—Rs. 1,88,000.

Q.—What are your outstandings?

A.—25 lakhs but they are recoverable.

Q.—Did you say that you have given on mortgages twenty-four and a half lakhs of rupees?

A.—Outstanding loans upon mortgages on immovable property come to fifteen lakhs of rupees.

Q.—Are those lands within the Tanjore district?

A.—Yes.

Q.—So much money is locked up?

A.—We lend only up to 50 per cent of the estimated value. We are easily able to find out purchasers. In court auction we can realise our money.

Q.—Have you lost any money on such transactions?

A.—Very infinitesimal.

Q.—Do you find any difficulties in effecting a proper sale?

A.—We find no difficulty. The directors are men of experience. They go to the spot at times and sell the property by auction.

Q.—Do you think that it is wise to keep fifteen lakhs of share capital locked up in land?

A.—The constitution of all nidhis is like that. We have to lend on immovable property. We have taken Tanjore district as our area. We have got houses and lands as security and they amount to Rs. 35 lakhs in worth at the least.

Q.—For what purposes are they given and how are they repaid?

A.—Generally they have to be liquidated in forty-five months.

Q.—What is the percentage of arrears?

A.—About Rs. 60,000.

Q.—For what purposes are those loans taken?

A.—All purposes that are incidental to the family.

Q.—To what extent are they used for land improvements?

A.—There are about 1,200 cases of loans. Below Rs. 1,000 almost all the cases would be for agricultural purposes.

Q.—But what about those larger loans?

A.—They are lent for purchasing of land. They have to state it in the application form that it is for purchase of land, marriage expenses, etc.

Q.—What is the highest amount you have given?

A.—A limit is imposed that we cannot lend not more than Rs. 20,000.

Q.—Have you lent much for marriage purposes?

A.—They do not say it like that. They say that it is for family expenses. We have advanced Rs. 20,000.

Q.—Which classes borrow chiefly from you, merchants, agriculturists or professional men?

A.—The major portion of our borrowers are agriculturists and we lend on lands.

Q.—How much do you lend on house property?

A.—The amount will be very limited.

Q.—You are then really financing the agriculturists more than businessmen. This was not true of the *nidhis* two decades ago.

A.—It may be so.

Q.—Is there not a new land mortgage bank in Tanjore? Judging from your experience of the *nidhis* in Tanjore district what are the prospects of land mortgage banks?

A.—There is one. It does not make itself keenly felt.

Q.—For what period do you give loans?

A.—Forty-five months. There are two kinds of loans. Ordinary loans have to be liquidated by monthly payment. Just as we pay for forty-five months the amount of Rs. 50 has to be repaid in forty-five instalments. For that we charge $6\frac{1}{4}$ per cent. In addition to that, special loan is granted in the case of immovable property at the rate of Rs. 100 per share. Only fifty rupees will be liquidated within forty-five months. The balance is allowed to be repaid at the leisure of the borrower.

Q.—Do you think that there is still room for land mortgage banks?

A.—I apprehend that money is likely to be locked up. Is it not a risk?

Q.—Are you really meeting the needs of those agriculturists who want money for long-term purposes, such as permanent improvements or the liquidation earlier debts?

A.—We do. As regards special loans it is not necessary that the principal of the loan should be repaid. It is enough if they pay the interest. They may repay the principal at their own convenience by the sale of harvest and produce.

Q.—How are your special loans repaid?

A.—By sale of produce and other ways.

Q.—Do you accept payment in instalments?

A.—Yes.

Q.—Is it on the same terms as land mortgage banks?

A.—We receive special loan amounts multiples of five. Provided the security is ample we do not hustle the man to pay. He may take his own time.

Q.—By your showing leniency to the parties, is it likely that you are delaying the growth of business habits?

A.—Human nature is different. We have to judge each case on its own merits.

Q.—What part of your profits comes from penal interest?

A.—We get a good deal from penal interest. People will fail to pay their dues in regular time.

Q.—To that extent your transactions partake of the nature of commercial transactions?

A.—The nature of money-lending is like that. If the whole world considered it a point to pay on the due date, there is no room for any gain at all.

Q.—You have in your written evidence compared your nidhi to the English building society. To what extent does that analogy hold?

A.—In all essential matters it agrees with the building society.

Q.—The building societies provide funds for building houses, but you are really doing the work of a joint-stock bank so far as members are concerned. You lend for all purposes. You take deposits. Is your nidhi essentially different from a joint-stock company?

A.—The profits go only to the members.

Q.—That is so in joint-stock companies as well. I agree that in some respects the nidhi is a mutual benefit society, but in other respects, it is like commercial banks. Indeed this is less true of your nidhi than of many others, but that is a detail?

A.—That is the case also with the building society. I do not think that their funds are only used for building purposes.

Q.—Do they take deposits? Do they lend?

A.—They lend indeed but ostensibly for purposes connected with house building in some way or other, not for all sorts of purposes.

The Chairman: Have you any reason to suppose that the building societies lend for other purposes?

A.—I find that there is no mention made of any other purposes.

Mr. Thomas: How then, can nidhis claim the privileges of building societies when they differ materially from them?

A.—In joint-stock banks the shareholders are one set separate. The transactions are with another set of people. Profits are made from one set of persons and they are enjoyed by the other.

Q.—Does any of your shareholders or borrowers lend at higher rates of interest amounts which they get from you at reasonable rates?

A.—I believe there are certain persons who are doing that also and that in their own turn they secure victims for their usurious transactions.

Q.—At what rate do you lend on the mortgage of house property?

A.—9 per cent will be the minimum.

Q.—It was stated before us that, in Shiyali taluk, ryots lend to each other at such low rates as 4 to 7 per cent. Is that true?

A.—It may be so in the case of those mirasdars who lend to their own tenants or relatives. Unless there are some considerations of this sort behind, which oblige them to do so, they will not lend at such low rates of interest.

Q.—Are there other nidhis or banks in Tanjore which lend on reasonable terms?

A.—I think ours is the only fund which gives at the lowest rate of interest.

Q.—Did you say that the directors share the profits?

A.—Yes, they do not get any share in the profits.

Q.—How, then, are the profits divided?

A.—70 per cent of the profit goes to the shareholders on the shares held. The legal adviser of the fund gets about Rs. 750 as annual remuneration. This amount is fixed from time to time. The Secretary is a paid officer. He is included in the establishment which gets a bonus of ordinarily a month's pay every year. The treasurer is not paid anything for I am both the Secretary and Treasurer. There are besides two directors who are key guardians. They also come daily to the office to deliver the jewels. In some nidhis these and other directors are paid carriage allowance for attending office, but in ours no such payment is made.

Q.—Do you lend much on jewellery?

A.—As I said before, Rs. 15 lakhs are lent on immovable property and Rs. 4 lakhs are outstanding on jewels.

Q.—Are all such jewellery redeemed regularly? Is much of it left behind?

A.—Jewels are always redeemed within the period of repayment. We always leave a large margin between the actual value of the jewels and the loans given on them and so long as there is that margin, we do not take any action. If at times we fear about their redemption, we at once sell them in public auction. Wide publicity is given for such auctions and shopkeepers and other jewel merchants from Kumbakonam and other places come over to bid and offer the best prices. Some of the subscribers find it to their profit to have their jewels sold through the fund. They do not very often object to the jewels being auctioned. They simply come over and take whatever is left after paying the debts.

Q.—In what form do you keep your reserve fund?

A.—The reserve fund is not separately earmarked for investments only. Our total investments come to about 3 to 3½ lakhs. We have got Government promissory-notes to the extent of a lakh of rupees. About Rs. 75,000 are invested in treasury bills. Another Rs. 75,000 are invested in fixed deposits in the Indian Bank and Rs. 75,000 in sundry Government promissory-notes at 5½ per cent interest free of income-tax. These are gilt-edged securities.

Q.—Where do you keep these gilt-edged securities? Is it within your own vaults or have they been given to banks as security for loans?

A.—We keep them in our fund only.

Q.—What provisions have you made for drawing upon the Imperial Bank or other bank at a time of stress?

A.—Yes. There was only one occasion in the history of the fund when we had run short of funds. That was during the war, but the Indian Bank immediately accommodated us by willingly helping us with Rs. 75,000 on the security of our fixed deposit with them, and thus we were able to deal with the situation. Excepting that, up till now we had no occasion to feel any lack of funds.

Q.—In your experience what proportion of deposits has to be kept in cash in order to be able to meet the demand of your depositors?

A.—On an average the amount of current deposits outstanding is about 3 lakhs. I find that if Rs. 50,000 is always kept, I am fairly able to meet all the demands. That will work out to 20 per cent of the total amount of deposits. I may also add that we are doing banking business also in a small way. We also issue cheques, collect negotiable instruments including hundis and render all services to our shareholders just as any other joint-stock bank does to its clients.

Q.—Perhaps it is due to lack of banking facilities in Tanjore that you have found it necessary to engage upon such commercial lines of business?

A.—Quite so. There are certain places where there are not so much of facilities for banking. Sometimes we also have to oblige our constituents.

Q.—If all nidhis are bound to carry on a certain amount of banking business, would it not be better for the nidhis to become regular joint-stock concerns? Why not reorganise their business in such a way as to meet all such needs?

A.—But the only difficulty is in respect of working the business and in respect of the share capital business. My submission is that this kind of extension is entirely different from that of the joint-stock banks. We are not joint-stock banks in the true sense of the term. We are doing banking business only as a supplementary business. In that way we are able to help our constituents better and afford more facilities and thus foster the growth of our mutual relations. That is to say, we are not developing our nidhis into joint-stock banks, but on the other hand we are only expanding our activities by doing banking business also to cater to the needs of our subscribers.

Q.—Are you keeping the double entry system of accounts?

A.—Yes.

Q.—Whenever you get applications for loans from any person, do you circulate that application among your directors?

A.—No. The system of getting things ordered by circulation does not obtain in our fund, since the directors meet every week, we place these applications before them. They scrutinise each of the applications as to whether the applicant is solvent, honest in repayment and all other particulars and when they are satisfied they recommend that the loan may be given.

Q.—What is your objection to circulation of applications among the directors?

A.—In our opinion circulation does not tend to exchange of opinion.

Q.—When you have too many applications for loans, do you resort to the auction premium plan?

A.—No. I have only read of it, but we have not resorted to it yet.

Q.—In regard to the recovery of loans on mortgage of land, have you any great difficulty in realising the amounts?

A.—Not always. In some cases where we have to deal with cantankerous debtors there is some difficulty.

Q.—What additional facilities do you seek for extending and systematizing your business? Do you think that there is any real necessity for a modification of the present system of banking with a view to find in them a place for the nidhis?

A.—We want to have the same facilities as are accorded to co-operative societies. We would also like to have the same powers for realising dues as are given to them. The reason which appears to my mind for Government's refusing those privileges is, that we are looked upon with suspicion as a profiteering concern. But we want to prove to the contrary and establish that it is not true.

The Chairman : Not on that ground, so far as I know?

A.—We waited in deputation upon Lord Anpithill and the same reply was given.

Mr. Thomas : Is not the nidhi more or less a commercial concern?

A.—It is not at all a commercial concern. A commercial concern is one which exploits the situation and profits by the loss of others.

Q.—Do not all nidhis profit by penalising defaulters and do not many nidhis do any banking business with non-members as well as members?

A.—Yes, it may be, but the beneficiaries are the shareholders and not the nidhi.

Mr. Gopala Menon : What is the strong incentive for the public to make investments in nidhis?

A.—The strong incentive is the facility to withdraw or to raise a loan whenever it is required. Moreover by paying a small savings at the end of every month, which is after all not much difficult, one can get at the end of a period a large amount, which he would not otherwise be able to save.

Q.—Your capital, you say, consists of shares. Is that not so?

A.—Yes.

Q.—When you allow the members to withdraw, does it not practically amount to the reduction of shares, which means, the reduction of capital?

A.—Yes.

Q.—Can you tell me what is the practice in other joint-stock banks when a member wants to get his share money?

A.—When an individual owns some shares in a joint-stock concern, he must either have to sell them in the share-market or transfer them to others from whom he can borrow.

Q.—Is it not therefore a fact that the capital of a joint-stock bank cannot in any way be reduced?

A.—Yes.

Q.—But in the case of a nidhi, the capital can easily be reduced?

A.—Yes. Corresponding to that, new members will also get admitted every day.

Q.—Do you therefore agree that the capital of the nidhis can be reduced while a regular joint-stock bank keeps its capital always intact?

A.—Yes, I agree.

Q.—How will you then keep your capital intact?

A.—The answer is simple. As the chairman has said, we must either adjust our hat to our head or we must purchase another hat. If we start on that basis, then we will have to alter our system of shares.

Q.—Is it on that ground that the High Courts have renounced the nidhis?

A.—It may be, but I am not sure.

Q.—What is your personal opinion about nidhis? Should the capital of the nidhis be kept intact or should it be allowed to be reduced by the members by this facility to withdraw?

A.—So far as our business is concerned we had never had any such difficulties at all, because a new man was always found when another withdrew his membership.

Q.—Suppose there is a nidhi which is unpopular and the members gradually withdraw, do you not apprehend a time when there will be no members at all and no capital to run the fund?

A.—Yes, the nidhi will then go into voluntary liquidation.

Q.—What proposals do you make in order to see that that state of affairs does not occur at all?

A.—The solution is simple and we have already had provisions for that. We give corresponding facilities for admission being made every day. If there is one withdrawal, there will be a corresponding admission.

Q.—With all this, do you not apprehend that you will reach a time when the institution might find itself in a position that it cannot get new members when the existing members withdraw? Will there not be then difficulty, because your liability will remain the same and share capital gets reduced?

A.—That will only arise, when the nidhi is not able to justify its existence.

Q.—You have therefore no apprehension in this respect?

A.—Yes. But there may arise a state of things when the profits of the nidhi are not likely to attract more deposits. But that too will be very rare.

Q.—You said that according to the decision of the High Court, that when a nidhi goes into voluntary liquidation, the old shareholders will be liable from the date of withdrawal of their money. Can you tell me what is the responsibility of a shareholder in a joint-stock company?

A.—He is liable till the due contributions are made and only to the extent of the shares held.

Q.—Do you know that the Indian Companies Act is being amended now?

A.—Yes.

Q.—Were you consulted with regard to amendments by the Government of India or the Local Government?

A.—Yes, our resolutions are before the Government of India and no orders have been passed.

Q.—Therefore this is the time for you when the Banking Enquiry Committee is sitting, to make proposals. You said to the Chairman that you are for keeping the control of nidhis in the hands of the Register of Joint Stock Companies, but you want to treat them as a separate class of companies. Do you think it is possible to do so? If we cancel those blocks of sections with regard to the prohibitions imposed on the joint-stock companies by the Indian Joint Stock Companies Act, i.e., sections 55 to 58 and when you are exempted from allotment and reduction of capital, where is the possibility for the Companies Act operating at all?

A.—If sections 55 to 58 do not operate, these institutions can make their allotment or reduce their capital as they like. Is that your view? The public are very particular about that. I fail to see what harm there will be to the public if those sections are cancelled, so far as nidhis are concerned.

Q.—You say that the withdrawal of members of your institution is not in any way limited by the fact that new members are coming in, is it not?

A.—Yes.

Q.—My point is, suppose you reach a stage when you cannot get new members, you must have to provide for that contingency. How will you provide against that unless you conform to the sections of the Indian Companies Act?

A.—I may state that that state of things will arise in any monetary concern. It may be due to bad management, and it applies to the nidhis also. For that, we could not allow the withdrawals of members as they please, but

this is an impossible contingency. The only solution for your problem is to establish a permanent share capital system. Such a system is at present in vogue in the Purasawalkam Benefit Fund. The technical difficulties will always be there.

Q.—On that account I do not think it is proper to leave the question as it is?

A.—We must institute some kind of permanent share capital system asking each subscriber to take at least one share and to deposit money as much as he likes.

Q.—You therefore suggest that a system of permanent shares should be introduced. Will you do it by transferring the deposits already with you? When you ask your members to take a new share or transfer the old share for a new, the old shareholders might withdraw the money on the promise that they would pay it back, but would not pay it at all. Do you not think that this might happen?

A.—It all depends upon the confidence we infuse in our shareholders.

Q.—You say that you are allowing $6\frac{1}{2}$ per cent and you also told us a little while ago that your fluid resources are kept in Government paper, in fixed deposits and in current accounts and on mortgages. I wish to know what average interest you earn on your investments.

A.—In current account we earn only a normal 2 per cent, in fixed deposits we get $4\frac{1}{2}$ per cent, another portion of the investment gives us $5\frac{1}{2}$ per cent, that is, income-tax free bonds. We invest also in treasury bills.

Q.—Are not the treasury bills intended only for transferring money from one place to another?

A.—I mean the periodical offer of treasury bills by the Government.

Q.—That is you buy the treasury bills and then you sell them?

A.—We get treasury bills whenever we have surplus money. During the past two years we have purchased only twice. We are purchasing three months' bills, they mature and automatically we take the money.

Q.—What is the average rate of interest that you can earn on all these investments?

A.—It will be about 4 per cent.

Q.—And you have no other way of making profit except in the shape of interests?

A.—Yes.

Q.—You are allowing $6\frac{1}{2}$ per cent on deposits?

A.—It does not work out to $6\frac{1}{2}$ per cent. It may be taken as 6 per cent.

Q.—How do you account for this difference of $2\frac{1}{2}$ per cent, that is the difference between the rate you are getting on your investments and the rate for the deposits?

A.—It is due to the fact that these people make default.

Q.—Is it entirely due to the penal provision?

A.—It is mostly due to that.

Q.—Will that be 85 per cent?

A.—A certain percentage of the loans are special loans in which we will have $7\frac{1}{2}$ per cent at the outset. Out of Rs. 15 lakhs we give Rs. 4 lakhs as special loans.

Q.—Do these loans run throughout the year?

A.—Yes. In fact it survives even the 45 months.

Q.—Anyhow, is the difference between the interest that you pay and the interest that you earn entirely made up by the penal interest?

A.—We get current deposits also.

Q.—What have you to pay on current deposits?

A.—We pay only 2 per cent.

Q.—Therefore you admit that there must be a difference between the interest you earn and the interest you allow to your customers?

A.—The difference will not be much but there will be some difference.

Q.—The difference probably you make up by penal interest?

A.—Penal interest also comes in.

Q.—What is your profit for the last year according to the audited statement?

A.—Rs. 65,000.

Q.—Can you tell me how much of it is penal interest?

A.—The loan interest and the decree interest came to Rs. 1,79,673 and default interest came to Rs. 31,745.

Q.—After meeting all the expenses what was the balance left out of Rs. 1,79,673?

A.—The net profits came to Rs. 65,000, but we have also other income by way of investments.

Q.—Out of Rs. 65,000, Rs. 31,000 is penal interest?

A.—That is one way of looking at it.

Q.—You say that you are not paying your directors any sitting fee?

A.—No.

Q.—But I find from your balance-sheet that you are paying fees for legal advice. What does that represent?

A.—They are charges paid to vakils as fees.

Q.—I want to know whether these charges are paid to any of your directors?

A.—Only one of our directors is a vakil of the fund for only one place. But our suits are filed in about a dozen courts in different centres and one of the directors is a vakil for only one centre.

The Chairman: Do you issue notices to the defaulters?

A.—Yes.

Mr. Gopala Menon: Who issues the notices?

A.—I issue.

The Chairman: But the by-law says that the vakil issues the notices?

A.—Before I came it was not the practice and since my advent also that is not done.

Mr. Gopala Menon: What do you mean by surveyor fees?

A.—They are given to the subscribers who make an estimate of the properties mentioned in the loan applications.

Q.—Are you merely satisfied with the survey made by an outside agent? If a director vakil does it do you not think that he can be held responsible by the nidhi? In some of these places we have got auditor directors and for any mistake they make they are held responsible.

A.—In our nidhi also the surveyors are responsible.

Q.—But is the surveyor a member of the nidhi?

A.—He is a member of the nidhi. In article 22 it is said that—

'the surveyors . . . shall in all cases be held responsible for the correctness of their report, and for the correctness of valuation.'

Q.—These are all done by the members of the nidhi?

A.—Amounts over Rs. 500 are generally entrusted to the vakil members.

Q.—Are the directors paid any survey fee?

A.—The directors do not have anything at all to do with survey fees. Only one director gets anything from the fund and that is only as vakil fee and what we have to pay another we pay to him.

Q.—So although the directors do not get their sitting fee they are benefited in other ways?

A.—I can only talk with reference to my nidhi and here only one director gets a vakil fee for the cases in which he appears.

The Chairman: Are there any key-holders?

A.—We are the only key-holders.

Mr. Gopala Menon: Your reserve is only Rs. 1,73,000?

A.—Yes

Q.—What proportion of the profit do you generally transfer to the reserve fund according to the by-law?

A.—It is fixed under by-laws 50 and 51 and 70 per cent of the net profits is given to the holders as profits and the legal advisor is paid a certain amount. These articles were themselves passed by a general body meeting.

Q.—My point is whether you were able to make only a reserve of Rs. 1,73,000 within the last 23 years, and whether the reserve fund is adequate to the volume of business done?

A.—We have got the strongest reserve in all nidhis.

Q.—Do your directors consider that Rs. 1,73,000 as a strong reserve for a company that has been in existence for the last 29 years?

A.—At any rate they do not apprehend any danger proceeding at the rate at which they are now going on.

Q.—The function of the Secretary and Treasurer is combined in one person. Is it not so?

A.—Yes.

Q.—That is according to your by-laws?

A.—Yes.

Q.—Who passes the bills for expenses?

A.—Of course the directors sanction. But for petty amounts up to Rs. 5 the Secretary sanctions and makes payments. The convention is that for amounts less than Rs. 5 I have got the discretion to pass the bills.

Q.—Is there an accountant who is held responsible for attending to these things?

A.—Yes. There is a separate set of auditors for internal audit.

Q.—From your experience can you say whether any sections of the Indian Companies Act should be amended to check the irregularities in time?

A.—I do not believe it is possible because no amount of law can prevent knavery. If we have got confidence in the directors then it is well and good. If not, then there is the general body meeting when these should be asked to go out and a better set of men could be selected.

Q.—Are there any other nidhis in Tanjore?

A.—In Tanjore town there is only our nidhi.

Q.—Is any of your directors serving on the other nidhis?

A.—No. In principle that would not be proper also.

Mr. Thomas: How many members constitute the Board?

A.—Sixteen.

Mr. Gopala Menon: The staff of the nidhi gets only bonus and not a commission?

A.—Yes. We get only a bonus and no commission.

Mr. Thomas: Have you a trained staff?

A.—They are taken raw, they serve as volunteers for one or two years, and thus get training.

Mr. Gopala Menon: Is there ample work for all the 26 people that are in the employ of the nidhi?

A.—Yes.

Q.—What is the method adopted in giving notice to the borrowers for making them pay on the due date?

A.—If during the continuance of the term itself they make a default continuously for six months we issue notice to the persons.

Q.—Do you give them notice when it is only one month for them to pay up?

A.—They are bound to finish their loans in 45 months.

Q.—As Secretary do you not issue notices to the persons concerned to make them pay in time?

A.—We give them 30 days' notice.

Q.—If the payment is not made on the due date what do you do?

A.—I will place the matter before the directors who will then ask me to close the number or numbers of the person or persons who have made default.

Q.—How is this loan account kept? Is it by taking a pro-note for the amount and an entry made in the pass-book?

A.—The loans are registered in the case of mortgages.

Q.—Jewel loans?

A.—A deed has to be executed in the case of jewel loans also.

Q.—All loans have to be supported by regular documents then?

A.—Yes.

The Chairman : I gather that women are members of your fund?

A.—Yes. But they are not allowed to vote though it may be against the growing principle of democracy. We do not allow voting by proxy. There was that practice before and it was found out that the people began to misuse their right of proxy. Hence it was stopped.

Mr. Thomas : If you have among your shareholders women who have no objection to come to the meetings, would it not be fair to allow them vote?

A.—The women generally do not attend the general body meetings at all and if they come to the nidhis at all it is for looking to their transactions in the fund.

Q.—But women do take part in many joint-stock concerns?

A.—I do not know whether women members attend the meetings of the other joint-stock companies. It has been found by experience that it is not safe to entrust them with voting power.

The Chairman : Have they not shares?

A.—Yes.

Q.—For the appointment of directors is there not one general body meeting in a year?

A.—Yes.

Q.—Then the directors meet and appoint the office bearers. Is that not so?

A.—Yes.

Q.—The appointment is subject to the approval of the members at a general body meeting?

A.—Yes.

Q.—What I am suggesting is that the rule as to the approval by a general body meeting is inoperative because the office bearers are appointed for one year and it is not till the end of the year that there is any possibility of the approval being obtained. Is that a correct view of the position? The only duty of the general meeting is, so far as I can see, to review all the proceedings of the previous year and to approve of the election of the office bearers?

A.—I would draw your attention to clause (g) at page 30 of the memorandum and articles of association of our nidhi.

Q.—According to the law about 70 per cent of the dividend goes in a certain proportion. Is that not so?

A.—The general body simply passes the report and I do not think that the general body has in any way interfered in the matter.

Mr. Gopala Menon : You say in your written statement that the nidhis have achieved remarkable results. Can you substantiate your statement by actual figures regarding the poor and the middle classes financed by you?

A.—Yes. I can say that there are plenty of people who want to acquire houses. They are all small men—artisans, carpenters, weavers. I say that there are any number of them who come to us and apply for loans on the security of their property.

Q.—Up to what extent do you lend?

A.—There is no minimum limit fixed and the maximum is Rs. 20,000.

Q.—How many borrow less than a hundred rupees?

A.—Out of 1,700 cases of loans about 200 would have borrowed less than Rs. 200.

Q.—Are they small amounts such as Rs. 25?

A.—The people do not think it worth their while to come to us for such small sums and execute mortgages when they can easily raise the money on jewels.

Q.—Lower down you say that there are only 300 nidhis working at present and that they supply the very real need of the country and that otherwise the country cannot boast of an adequacy of banking facilities. What do you mean by that?

A.—But for these nidhis there will not be any bank for the people to place their savings in.

Q.—Have you then started branches in the rural areas?

A.—We do not have any branches. There are nidhis in the various places.

Q.—In the interior could you not start some branches for the benefit of the poor people? In that way could you not also extend your activities?

A.—We can.

Q.—Why I put that question is it may be difficult for branches of the joint-stock banks to go there and find enough business to maintain themselves. Do you not think that an institution like the nidhis can open branches?

A.—The difficulties of branch banking will have to be countenanced in the case of the nidhis also. At present the people in the adjoining villages are coming to our nidhi.

Q.—If they are coming to Tanjore then you must be able to get enough business to make enough profit. Is that not so?

A.—Some of our subscribers wanted us to open a branch in the interior. The amount of the subscriptions collected from that place and the adjoining places will come to about Rs. 5,000 but the idea of opening a branch had to be dropped for want of the proper personnel and the question of safety had also to be considered.

Q.—So the time might come when you can open a branch?

A.—I hope so.

Q.—Do you think that it is far better that nidhis go to the interior and open branches there than the joint-stock banks?

A.—Yes.

Q.—Is that because you allow loans at 6½ per cent?

A.—Yes.

Q.—Suppose there is a sowcar or an indigenous money-lender to whom the people are indebted. If you have got a branch there you can relieve the indebtedness of the people. Is that not so?

A.—Yes.

Q.—You say that the object of the nidhis is the affording of facilities for savings by the people and the relief of the members from old debts. What are those old debts?

A.—Those which have been borrowed in olden times and which have been hanging round the neck of the people like millstones.

Q.—The burden of the old debts will be removed the moment you advance money?

A.—We cannot give them money to clear their prior debts unless they give us security. In fact most of our loans go for liquidating old debts.

Mr. Thomas: In page 36 of your report you give a list of the properties that you hold. Are they still owned by you?

A.—The items sold during the year are mentioned at the bottom of page 37.

The Chairman: Why does that not agree with the figure given at page 22 (No. 9)?

A.—There is an artificial basis at which that figure was arrived at. The figure in page 37 is the cost price for the fund, while the figure in page 22 is the sale price realized by the fund.

Mr. Thomas: May I ask if these properties have not depreciated since they came under the nidhi?

A.—The houses are certain to have depreciated but the lands would not have depreciated to such an extent though there is a general depreciation in regard to them also.

Q.—Is the loss considerable?

A.—It will be a curve. The land appreciated in value for some time and then it depreciated.

Q.—Soon after the war, the lands appreciated, did they not? You came by some property at that time, and did not manage to sell it away before the slump came?

A.—Even if there is a fall in the value, we would have taken a personal decree against the borrower and when we sell these properties if we do not get our money we will make up the deficiency by selling any other property that may belong to the borrower.

Q.—How long have you been connected with the Tanjore nidhi?

A.—Two years.

Q.—Before that had you been in any way connected with the nidhi?

A.—I was a constant surveyor of the nidhi in its loan applications.

Q.—Are you still a practising lawyer?

A.—No. Now I am a whole-time secretary and treasurer of the nidhi and I have had to suspend practice.

Q.—Have you an experienced assistant who is able to run the nidhi in your absence?

A.—There is my head clerk who is fully competent and there is also an experienced auditor.

Q.—You said that the paucity of experienced hands was the cause of your not starting branches. Can you not utilize these men in starting a branch?

A.—I can do that. But then the difficulty will be in finding suitable hands for the head office to take their place efficiently.

Q.—What salary do you give your clerks?

A.—Rs. 25 to start with.

Q.—What is the maximum?

A.—Rs. 75.

Q.—Have you employed any graduates?

A.—Nowadays there are applications from graduates but so far I have not entertained any.

Q.—Why?

A.—Because the old staff is already there and the one graduate whom I employed from the Hood Institute left after some time when he got a higher salary offered to him in Madras.

(The witness then withdrew.)

Thursday, 30th January 1930.

MADURA

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMMED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. Rao Bahadur K. S. VENKATRAMA AYYAR
Avargal, B.A., B.L., Negapatam.

Oral evidence.*

The Chairman : You are an expert on agricultural matters in the Tanjore district?

A.—I know something about it.

Q.—What we want to know is, can you give us any information about the manner in which the ordinary ryot is financed? Where does he get his money from for cultivation expenses?

A.—I want to know whether you mean by ryot the cultivating tenant or the ryot himself. For example some cultivate their own lands and others cultivate by sub-letting to others. I cultivate my own lands and a portion of the land I have given to tenants.

Q.—But you are rather not in the same position. Do you borrow for cultivation purposes?

A.—No.

Q.—You cultivate entirely on your own capital?

A.—Yes.

Q.—Do you use a bank?

A.—Yes.

Q.—You keep your spare cash in the bank?

A.—I keep my spare cash in the savings bank at Madras, and I have got a cash credit in the Imperial Bank also.

Q.—Now there are three sources for the ryot to borrow money, the professional money-lender, another ryot and the co-operative society. Is there any other?

A.—There is no other source.

Q.—There is possibly another I think, the merchant in the town?

A.—Not very many resort to them, at least not so far as paddy is concerned. It is generally from the village money-lender.

Q.—Can you tell us what the ordinary rates are?

A.—For small sums it is between 12 and 15 per cent, and for large amounts 9 to 12 per cent.

Q.—That is the normal rate?

A.—Yes, it is the normal rate.

Q.—Is there any circumstance that affects the normal rate? You know the kandu system?

A.—Yes.

* For written evidence, vide pp. 18—21, vol. III.

Q.—Is that applied to ryots?

A.—No.

Q.—It is confined to towns?

A.—Yes.

Q.—Is it the custom to deduct interest in advance?

A.—It was usual formerly, but not now.

Q.—What are the rates?

A.—If it is the ordinary ryot he charges less interest generally. But the ryot does not get money for cultivation expenses or anything of the kind. It is only for marriages and other ceremonial occasions when his savings are not enough that he borrows. All the cultivation expenses are incurred in kind. The labour is also generally paid in kind.

Q.—But where does he get that kind from?

A.—He always saves it from the previous year's produce. He also reserves the grain required for paying the labour besides the seed. Only in a case in which a man loses all his cattle due to rinderpest or some other infectious disease does he borrow to purchase cattle and not ordinarily for cultivation expenses.

Q.—When they do borrow it is not the custom to take interest in advance?

A.—No.

Q.—Do they execute a pro-note?

A.—Yes, generally they do.

Q.—The pro-note amount is received in full?

A.—Yes; it is paid in full.

Q.—It is not a question of executing a pro-note for a certain sum and actually receiving less?

A.—So far as the agriculturist is concerned it is not so. It is only in towns when the minor son of a rich man wants to borrow money without the knowledge of the members of his family from people who risk their money that pay a sum that is less than the amount shown in the pro-note.

Q.—Can a ryot who owns 3 acres of land get a loan at 9 per cent?

A.—Yes.

Q.—Then wherefrom does the money-lender make his money?

A.—Not from the agriculturist but from the merchant.

Q.—The village money-lender?

A.—Not from his own village, but from people of other villages. The professional money-lenders in the village belong to two castes, one is a particular sect of the Brahman community and the other is the Nattukottai Chettis. These are the only professional money-lenders in the villages.

Q.—For all reasonable purposes and amounts they lend at 9 to 12 per cent?

A.—Yes.

Q.—Is there any necessity for providing further credit facilities?

A.—I do not think it is necessary.

Q.—In your opinion the rural credit in Tanjore territory is in a satisfactory condition?

A.—Yes.

Q.—But not in towns?

A.—Not in towns.

Q.—There the rates are high?

A.—It is high because people who live in towns do not own land and therefore the money-lender takes a joint signature and charges a higher rate of interest. Sometimes it happens that those who have put the joint signature take half the amount borrowed each.

Mr. Maricair: You are a landholder yourself?

A.—Yes.

Q.—I suppose you cultivate your land by the pannai system as well as by the ryots?

A.—Yes. A portion of the land is directly under my cultivation and another portion is given on what they call tenancy, i.e., division of the produce.

Q.—How much do you give to the tenants?

A.—Twenty-five per cent.

Q.—And the seed and cultivation expenses will be borne by?

A.—The tenant.

Q.—Whose cattle will be used by him?

A.—His own cattle.

Q.—How much is the net yield per acre?

A.—So far as my lands are concerned it is different. If the land is poor the tenant will not cultivate it for less than 33 per cent share. In other places the land is so poor that he has to be given 50 per cent. In a good land it is 25 per cent and in very good lands it may be even 20 per cent only, for example in the Tanjore and Kumbakonam taluks. Whether the land is good or bad the labour charges are always the same. If the yield is low the tenant's share will be more and if the yield is high then the tenant's share will be less.

Q.—Do you use artificial manures?

A.—Yes, I do.

Q.—What about other landholders?

A.—People who use artificial manures should first see that the soil is examined and that particular thing which is deficient in the soil found out. Unless that is done the use of artificial manure is a waste. That which is deficient in the soil should be restored to it by the use of artificial manure.

Q.—Do you get your seeds from the agricultural farm?

A.—Yes, I get once in three or four years. I multiply the seeds in my own farm. But naturally after some time the seeds get mixed up and the purity of the strain is not kept up. So after some time I have to look again to the farm for pure seed. It happens in this way: there is no separate threshing floor in the village for each farmer, as in England, and the threshing floor is not a concrete floor but only sandy earth. One ryot brings his paddy and threshes it and when I bring mine it gets mixed up with some strains lying on the floor. Then again we use gunny bags and so many will be sticking there also. Thus in the first year the rogues will be 1 per cent, in the second year 5 per cent and in the third year 10 per cent. These mixtures are called rogues.

Q.—Do you lend money?

A.—Yes.

Q.—To what extent?

A.—Only to friends and neighbours.

Q.—At what rates of interest?

A.—If it is a big amount it will be from 7½ to 9 per cent and if it is only Rs. 100 or Rs. 200 generally from 10½ to 12 per cent.

Q.—Are there many indigenous bankers in Negapatam?

A.—Especially after the removal of the works several of the indigenous bankers have closed their shops and have gone.

Q.—What about the failure of the Nattukottai Chettis?

A.—There was not much failure of Nattukottai Chettis, they have closed their shops and have changed the places of their business that is all. As regards some failures, some lived beyond their means. Formerly these Chettis were known for their economic ways of living and now they live in right royal style and naturally they failed.

Q.—You are a lawyer?

A.—I was but not now.

Q.—How long will it take for a pro-note case to be decreed in court?

A.—In pro-note cases they are not generally contested. Anyhow it will not take more than 3 to 4 months.

Q.—And mortgage suits?

A.—It takes a longer time.

The Chairman: All the district munsifs and sub-judges have got small cause court powers?

A.—Mortgage suits cannot be tried as small cause court cases, they are all original cases.

Q.—Some of the witnesses were of opinion that pro-note cases should be decided by summary procedure. What is your opinion?

A.—I think it is necessary.

Q.—So you say that now-a-days it does not take much time?

A.—Now small cause suits are decided and disposed off very promptly.

Mr. Thomas: Did you say that no further credit facilities are necessary for the agriculturists in rural parts?

A.—Yes.

Q.—What are the agencies that exist to-day?

A.—The co-operative society lends to the members of the society and the ordinary man who wants a loan gets it from the indigenous banker and from the joint-stock banks.

Q.—Which agency to-day supplies the bulk of the agriculturists' needs?

A.—Do you mean to say for capital improvements?

Q.—For all kinds of needs?

A.—I have already said that the ryot never borrows for cultivation expenses.

Q.—You speak of the Tanjore district?

A.—Yes, so far as the irrigated area of that district is concerned.

Q.—They do not borrow for cultivation expenses at all?

A.—Unless due to rinderpest or some other infectious disease the cattle all die.

Q.—What, then, are the purposes for which loans are raised now?

A.—Chiefly for repayment of old debts, for marriages and for election purposes. Generally people have to borrow for election purposes.

Q.—Not for purchase of land?

A.—They do not borrow for purchasing land. In some cases if a man has got say Rs. 2,000 and there is a good land available for Rs. 2,500, he borrows Rs. 500 in order to purchase that land. In such cases the money that is borrowed is repaid promptly.

Q.—What are the needs met by the co-operative societies?

A.—Members' needs are met by co-operative societies.

Q.—To what extent?

A.—Whatever needs they have.

Q.—To the full extent or only to a limited extent?

A.—To a limited extent.

Q.—Who is meeting the rest of the agriculturists' needs?

A.—The indigenous bankers and the professional money-lenders.

Q.—Does not the larger ryot finance the smaller ryot?

A.—So far as the Tanjore district is concerned very rarely has the larger ryot anything to spare to the smaller ryot, except one particular Brahman family which has both money and lands.

Q.—No non-Brahman ryots?

A.—Yes, there are some rich people who also lend.

Q.—So far as I have been able to see, the greater part of the loans received by the ryots are from their fellow ryots themselves. Is it not true of the Tanjore district?

A.—So far as the Tanjore district is concerned it is not so.

Q.—Co-operative societies are able to meet a very small portion of the demand?

A.—Their scope is very limited.

Q.—And therefore the rest of it is met by indigenous bankers and the professional money-lenders?

A.—Yes, but rarely by the ryots.

Q.—What are the rates of the professional money-lenders?

A.—Nine to twelve per cent. It depends on the man who borrows. If the man is a solvent man and if the creditor thinks that he will repay the loan on the date specified then the interest that is charged will be lower.

Q.—What is the rate of interest on mortgages?

A.—On amounts like Rs. 20,000 it is $7\frac{1}{2}$ per cent.

Q.—On pro-notes?

A.—It is a little higher, generally $1\frac{1}{2}$ per cent higher than on mortgage loans.

Q.—To what extent do such transactions end in the sale of land?

A.—Only in mortgage loans are lands generally sold and it is the creditor who generally finally becomes the unwilling purchaser.

Q.—The money-lenders are therefore increasing their holding of land?

A.—Yes. They are also trying to dispose off those lands.

Q.—Do you not think that facilities must be given to the ryot so that he may avoid these money-lenders? For this purpose, are not land mortgage banks needed?

A.—Yes, such institutions are quite welcome.

Q.—You want also an expansion of co-operative societies?

A.—Yes.

Q.—Our main concern is to raise the standard of living. How can this come about if the ryots produce only just enough to pay the money-lenders' interest? How can we improve them unless we reduce the price of money and give him a wider margin between price and cultivation expenses? How can we do all this?

A.—The only way to relieve the past indebtedness of the agriculturist is by issuing to him long-term loans repayable in equated instalments. That can be done by a land mortgage bank.

Q.—Is it true that in Tanjore the expenses for marriage and education of children are very prominent causes of indebtedness?

A.—They are no doubt important items which can be included as a portion for the expenses of the family.

Q.—What is the percentage of loans contracted for these two purposes in an average village?

A.—It depends upon the man who borrows the amount.

Q.—It is fairly a large proportion?

A.—Yes.

Q.—Does it apply to other parts of the Presidency?

A.—Only about a certain class. Every man wants to educate his children but now there is a setback as Government cannot provide appointments for Brahmans. People are not trying to educate their sons by sending them to Madras because they have found actually that they cannot get any Government employment.

Q.—I understand that you cultivate part of your land. What is the size of your home farm?

A.—Sixty acres.

Q.—How many pannayals do you employ?

A.—Twenty.

Q.—Do you not think that you could manage a larger farm with advantage?

A.—Of course, I can manage if I devote more time to agriculture.

Q.—How is it that you have let out a certain portion of your land to tenants?

A.—Because we have got to educate our labourer. I am making my own profit. All of them were originally labourers. I made them take interest in the cultivation of land. Several of them are lessees. Even though they get a higher percentage of profit they pay only so much and they take the extra they get for themselves.

Q.—On what rents do you let land?

A.—Ranging between 50 and 25 per cent. In regard to cultivation there are two classes. One is a lessee, who pays so many kalama per acre. What ever extra he gets he is bound to take.

Q.—On the *kuthakai* basis how much rent do you get?

A.—I get about on an average 20 kalama per acre.

Q.—On *varam* basis how much can you get?

A.—About the same quantity. *Varam* is about 25 per cent. The object of making lessees is to create an interest in them so that they may not give up the land and go away.

Q.—What do you think to be an economic holding for your district?

A.—Six acres.

Q.—Will it be possible to cultivate six acres without any pannayals?

A.—If a man is himself a labourer, he can do it.

Q.—And one pair of bullocks?

A.—Yes. I have got sixty acres. Out of this I cultivate two crops on forty acres.

Q.—On six acres what income could the ryot make?

A.—If a man cultivates his own land he can get 180 kalam for that land.

Q.—What is the average price of one kalam?

A.—Now it is only ranging from two rupees to two rupees and four annas. It is only 24 Madras measures or 60 lbs.

Q.—What about those people who have got smaller holdings?

A.—They do it by themselves. They also cultivate other people's lands.

Q.—On varam or kuthakai basis?

A.—Both.

Q.—You have spoken of the marketing of groundnuts. May I ask what is the relationship between the middleman and the cultivator?

A.—So far as the middleman is concerned he will advance money even if there is no crop in the land on a certain fixed price. It would be always two annas less than the market rate.

Q.—Does this transaction turn out to be to the advantage of the middleman?

A.—It does, because the middleman collects all the proceeds.

Q.—It might also be the other way?

A.—If the price goes down, the middleman will lose. But in most cases they do not fix the price. They agree that they should pay two annas less than the market rate so that they may not lose.

Q.—What about paddy? How is it marketed?

A.—There is no middleman. It is taken to shandies or it is sold through brokers who get only six pies per kalam. Mill-owners purchase it from the brokers.

Q.—What about the measures and weights used?

A.—They are cheated to a small extent.

Q.—To what extent?

A.—Small landlords are at the mercy of the people because they want to sell. False measures are used more to cheat the poor labourers.

Q.—Could this not be avoided by organizing marketing on a co-operative basis?

A.—Yes. In the matter of measures and weights the poorer classes are cheated. Therefore some kind of co-operative work is needed in that line of marketing.

Q.—The same thing is also true of groundnuts?

A.—Yes. Not paddy? In the case of marketing paddy we do not find any difficulty at all. The measures used are all standard measures.

Q.—Have you considered the possibility of creating agricultural bills, and thereby financing cultivation on more favourable terms?

A.—I have not got much experience on such financial matters.

Q.—Are there now ample inland trade facilities? It may be that between towns, there are ample trade facilities, but between town and village and between villages themselves, are there sufficient facilities for transmitting money?

A.—I do not think much money is transmitted in that way. I think there are ample facilities for traders and businessmen in general.

Q.—Have you enquired of traders if ample facilities existed for internal transmittances? Are you aware that it is easier to transmit money from Madras to Rangoon than from Madras to a village in Chingleput?

A.—I know indigenous money-lenders are carrying on such transactions.

The Chairman: Are you occupied in trade yourself?

A.—I have no occupation in trade.

Mr. Thomas: You state in your written memorandum that there is no competition between the banks and Government. Are you aware that Government borrowings have curtailed the deposits in our joint-stock banks?

A.—There is no difficulty with regard to them. I hold promissory-notes. I have also got deposits. Practically the rate of interest offered by Government is generally lower than the other rates.

Q.—Very well, we shall leave it at that. Are postal cash certificates popular?

A.—They have now raised the rate of interest. Only if they lower it to the original rate when the cash certificates were issued they will become more popular.

Q.—Is much money hoarded in the Tanjore district?

A.—Only in jewellery; not in hoarding.

Q.—Is there means of mobilizing such locked-up capital?

A.—I do not think there is much of gold jewels. People have now taken to diamonds and that too only by people who can afford.

Q.—Is diamond a better investment?

A.—It is in one way a saving to the family because they can rely upon it and mortgage it. They use it always. They do not take and place it in deposits.

Q.—Is the habit of spending much money on jewellery or diamonds justifiable?

A.—I do not think.

Q.—Which classes of people put their money most in gold and diamonds?

A.—I think even Muhammadans have got jewels.

Mr. Gopala Menon: You say in your written memorandum that no loans are given on produce or standing crops. What do you mean by it?

A.—People have got their stores of grain. Nobody lends on that. I know that because the Imperial Bank at Negapatam was trying its best to advance loans on these stores. It has not been able to succeed. That is only so far as paddy is concerned.

Q.—For other produce?

A.—I do not know much about it.

Q.—Do you not think that the banks and the co-operative societies advance money on standing crops?

A.—In co-operative societies they do; but only to their members.

Q.—On commercial products?

A.—No.

Q.—Do you think that co-operative societies are required for this purpose?

A.—I do not think. The mill owners purchase large quantities of grain and store it in their granary and it takes six months. Generally they do not pledge the produce to the Imperial Bank.

Q.—No loans are given by the Imperial Bank?

A.—Indirectly they do. The banks no doubt advance such loans and they go and even verify every fifteen days or once in a month.

Q.—No co-operative societies give loans for the purpose of getting seeds or implements?

A.—I do not think.

Q.—Do you think that in these cases in the rural areas the indigenous bankers can be helpful?

A.—Not only the Imperial Bank but also the indigenous bankers advance money on the produce.

Q.—You say bankers and professional money-lenders grant loans on high rates of interest?

A.—Only on personal security.

Q.—At the same time you say no credit facilities are required for financing of products?

A.—I mean only commercial products.

Q.—You do not mean paddy?

A.—No.

Q.—You say that no credit facilities are required for financing of products?

A.—We advance at the time when the produce is ready.

Q.—Do you think that there is money only in the country for short-term loans?

A.—Yes.

Q.—If people get money on short-term loans how are the banks able to get usurious rates of interest?

A.—Because they trust on the personal security of the man and so they get a high rate of interest.

Q.—If there is money in the country for short-term loans, why is it that people borrow at a high rate of interest?

A.—It depends upon the man. I would rather give my money to a bank which will repay me properly than give it to a man on personal security for a high rate of interest.

Q.—To get over this difficulty do you think if these funds are collected judiciously and if we meet the borrowers' needs and requirements, is there any possibility of developing banking system in the rural areas?

A.—I do not think that system would work in the rural areas.

Q.—You say that co-operative credit societies should grant loans on easier terms. What do you mean by that? Is the present rate charged by the co-operative societies higher? If so, how much is it?

A.—About $7\frac{1}{2}$ to 9 per cent.

Q.—Do you think $9\frac{1}{2}$ per cent is high?

A.—Yes.

Q.—Do you want further facilities?

A.—It must be reduced.

Q.—How? They get loans from the central urban banks?

A.—They will have to get it from the central urban banks at 6 per cent and they must give it at $6\frac{1}{2}$ per cent. It must also be reduced correspondingly.

The Chairman: How do you propose to do it? Have you got any suggestion?

A.—The rate of interest must be less and a system by which the whole loan should be wiped off in a certain number of years must be introduced. The rate of interest must be less. The co-operative societies when they advance money should insist upon repayment at the end of a certain period.

Mr. Gopala Menon: What is the maximum number of years in which the instalments of the co-operative societies have to be repaid? Is it five?

A.—That is not sufficient. It depends upon the persons. As a matter of fact the members of the co-operative societies have borrowed not for their cultivation expenses but for other needs.

Q.—Is it your point that the rules are inelastic?

A.—I do not know much about it. But in other parts I find that they are going to sowcars and raising money at a higher rate of interest.

Q.—Why do you want then that the co-operative societies should reduce their rate of interest?

A.—The co-operative societies are not able to lend whatever amount is asked for by the public and unless the rate of interest is reduced, people of higher classes who may require large sums will naturally have to go to banks and those who want small sums are poor men and only those people will resort to co-operative societies. Since the prime object of co-operative societies is to help agriculturists and small landholders from their indebtedness, unless the present rate of interest is reduced, they will not serve the object for which they are started.

Q.—Is it possible to reduce the rate of working expenses of the co-operative societies?

A.—I do not know much about it. But many of the co-operative societies are, in my opinion, depending very much upon the honesty of the Secretary.

Q.—You say that co-operative societies are not necessary for pooling and marketing of produce in the district of Tanjore. Is it the case in other districts also?

A.—So far as I know there is no necessity for marketing paddy by co-operative societies.

Q.—In your written evidence you say that there is no particular season at which the value will rise and that it is not a fact that at the harvest time the price will be low. Do your remarks apply to paddy only or any other crop?

A.—Yes. My experience has been such. Last year I sold my kuruvai paddy at Rs. 3 per kalam, because I was able to harvest it earlier, but others who were able to reap the harvest afterwards sold it only at Rs. 2-4-0.

The reason why that question is put to the witness in the questionnaire, I believe, is that the middlemen always purchase at a lower price taking advantage of the circumstances of the agriculturalists and I take that the object of the Committee is to help the rural agriculturalists to benefit and do not lose by such hasty sales. That, in my opinion, does not apply so far as paddy is concerned.

The general opinion that the middlemen always deprive the agriculturists of the benefit of a better sale will only hold good in the case of cotton, groundnut, etc., but to-day they are being replaced by export firms who come down to the villages and purchase outright.

Q.—You say that middlemen are now-a-days declining?

A.—Yes. The several groundnut firms which have their branches all round the villages now-a-days directly export from agriculturists and not through the middlemen.

Q.—In answer to question 8 of the questionnaire you state that the indigenous banking community would resent interference or introduction of measures for the regulating of operations and for giving publicity. You know that there is a question in the questionnaire, "How, in your opinion, the indigenous banking system should be linked up with the money market or provincial capital". Our object is to find out how they could be brought in a banking system extending from the central reserve bank if it is brought into existence. Our main object is to extend the system of banking facilities now obtaining in the country and as the indigenous banker is an important primary unit whose influence in the country cannot be wiped out, we are anxious to see that their interests are not allowed to starve, in the event of a reserve bank being ultimately formed. Have you any proposals to make in regard to that matter?

A.—I do not think I can venture any opinion on that matter.

Q.—Do you think that the periodical publication of the statement of affairs would be presented by the indigenous bankers?

A.—In my opinion they will not.

Q.—Suppose the Government state that they are prepared to enter them in the list of approved agricultural banks, would they like that idea,—because if a central bank is brought into existence they would be able to get credit from the central banking institution?

A.—I cannot see how it will work. I cannot venture any opinion on that until it actually comes into being. Several of the indigenous bankers, I know, rely more upon the deposit from ordinary agriculturists or ryots or merchants, etc. They may not be very keen about getting anything from the central reserve. If as a result of your enquiry, you recommend the organisation of such an institution, I would urge that the interests of the depositors should be safeguarded.

Q.—Do you think that any maximum rate of interest should be laid down by law for regulating interest?

A.—Even if you do it, there will always be a measure of evading it.

Q.—You say in your written evidence regarding savings, that very many so-called productive undertakings have failed on account of want of expert knowledge and expert employees to make such undertakings a success and that Government should take a share or contribute to the share-capital of productive undertakings to induce small agriculturists and others to invest their savings in such undertakings. If Government were to undertake any such things, they should have some guarantees from these people who are the custodians for effecting the savings. What we want is, to find out how best savings could be improved and the public educated to invest their savings on productive concerns. Can you suggest any means for that?

A.—People have already learnt the habit of saving. The only difficulty is that they are not able to accumulate them. If they contribute their capital to productive undertakings like several of these bone mills, agricultural

societies, etc., which ultimately fail for want of expert knowledge and advice, they will not only not get any return at all but would discourage any such schemes as a whole. We had some bitter experience ourselves in Shiyali where an agricultural society was started and failed for the same reasons resulting in a loss of Rs. 7,000 to me. That is why I say that Government should contribute to the share-capital of such productive undertakings to induce small agriculturists and others to invest their savings in such undertakings. If this is not feasible, I would suggest that these small savings may be invested in post office cash certificates. I am however of opinion that many of the small landholders are not able to save anything at all. But in cases where they can effect some savings, the post office cash certificate may help to offer a solution.

Q.—How much have they to pay for that?

A.—By paying Rs. 7-8-0 they get 10 in a certain number of years. These postal certificates may be available in every village, where there is a post office.

Q.—But what we want is that banking facilities should be available in one form or another in every village to educate, help and advice the villagers to save and make the best use of them. Now-a-days the Sowcars and Multanis migrate into villages and do their own business at usurious rates. Do you not think that small banks can be established in every village?

A.—I do not think that such small banks opened in small rural areas will attract any savings. The banks will not be able to pay even for the establishment with such small business.

Q.—Could not the villagers be taught the habit of saving whatever little they can?

A.—They already know that. The only method in my opinion is to sell the post office cash certificates through the post offices.

Q.—Do you not think that unless we bring these indigenous bankers under a system of control, it would not be possible to render the agriculturists any financial help?

A.—I do not think it is possible.

Q.—You say in your written evidence that there is no competition between Government and other banking institutions. I want to know what you mean by the term "Government"?

A.—By Government I mean the transaction which the Government makes with the public through the issue of promissory-notes, treasury bills, postal cash certificates, etc.

Q.—Do you think that there has been any pressure in the money market on account of Government withdrawing their money?

A.—No.

Q.—Suppose Government stops issuing treasury bills do you not think that that money will be available for financing trade and industries?

A.—It may affect the bank rate a little, but that does not mean that they have not got sufficient funds to advance. I do not think that the banks suffer from want of money. On the contrary the Imperial Bank and other joint-stock banks have got large funds at their disposal without knowing what to do with them. I personally know also that there are several banks which refuse to take any deposits at all.

Mr. Thomas: Do you know of any banks which refuse to take deposits?

A.—I know the union bank at Kumbakonam is reducing its deposits to one-third.

Q.—Do you think that there are sufficient banking facilities in this Presidency?

A.—I do not say that.

Q.—You say that the opening of new branch banks has been of use comparatively?

A.—Certainly.

Q.—I find in a report published by the Provincial Co-operative Union, Madras, that "The average cultivator owns 5 acres of wet land and has a debt of Rs. 1,000". Is that correct? What will be the average net income of a cultivator who owns 5 acres of land?

A.—I do not know. The average income will be Rs. 200 per year.

The Chairman : The actual total yield in the 5 acres must be more because he applies his labour in that? You assume all the produce is taken up as the income?

A.—The total income will be 150 kalams of paddy or Rs. 300 per year.

Mr. Thomas : What is the prevailing rate of interest in the villages of Tanjore district?

A.—The average rate of interest is 10½ per cent.

Q.—If the co-operative societies could increase their activities, will not the rate of interest come down?

A.—As I said, co-operative societies must be extended. There there are no co-operative societies, the professional money-lenders will automatically come in and the present state of indebtedness will surely continue.

(The witness then withdrew.)

Friday, 31st January 1930.

MADURA

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMEED SULTAN MABICAIR SAHIB Bahadur.

**M.R.Ry. A. SAVARINATHA PILLAI, B.A., Assistant
Commissioner of Income-Tax, Madura.**

Oral evidence.*

The Chairman: In paragraph 5 of your written memorandum you have given certain figures regarding the Nattukottai Chettiyars' business. Can you say that they are reliable?

A.—They are quite reliable. The estimates have been accurately framed and I should rather think that they traverse on the side of moderation. I have checked the amount of business capital in another way; I have not mentioned that in my report. I have stated that the total income-tax and super-tax paid by Chettis in this Presidency is 15½ lakhs. If we include the income-tax paid by them in Burma also, which I estimate at about 10 lakhs the total income-tax paid here and in Burma comes to about 25 lakhs. The ratio of tax to income according to the latest returns is approximately 1:20, i.e., the annual income of Nattukottai Chettis is 20 × 25 lakhs or 5 crores. To get an income of 5 crores a year they should have a working capital of Rs. 50 crores. In regard to remittances of foreign profits, I have a suspicion that all remittances are not shown to us and that many are escaping by various devices in accounts intended to conceal the remittances.

Q.—You therefore assume two facts, one is that the income-tax figures are accurate and the other is that they realize 10 per cent on their capital. Is that correct?

A.—The income-tax figures are correct. Our assessments are accurately made. The 10 per cent is a flat average estimate adopted for computing capital on the basis of profits and is as accurate a forecast as can be made.

Q.—How much experience have you in the Chettinadu business?

A.—I have been here for the past year and a half as Assistant Commissioner of Southern Range. From 1923 up to April 1925 I was Personal Assistant to the Commissioner and during short intervals in this period I acted as Assistant Commissioner and have heard Chetti appeals. Before that I was Income-tax Deputy Collector. My acquaintance with Chettiyars' business extends to several years, and for the past 1½ years, I have been in constant touch with them.

Q.—Is there much change in their business for the last 10 or 12 years, that is to say, are they as prosperous now as they were ten years ago?

A.—I think so.

Q.—Is there no indication that their business has fallen gradually?

A.—No.

Q.—Am I to take it that in the 10 per cent rate—on which you calculate—they provide for for bad debts and losses due to insolvency of the parties?

A.—Yes.

* For written evidence vide pp. 1170—1222, vol. III.

Q.—Do the documents they produce show a reasonable rate of interest?

A.—They generally produce accounts and do not produce documents. Occasionally we insist on their producing documents, where we find a need to see that.

Q.—Have you any experience of these documents? Do you find that their pro-notes represent the true rate of interest they charge on loans?

A.—I have said in my report, paragraph 12, that there are cases in which interest stipulated in pro-notes is sometimes 36 per cent but if the parties pay the amounts on the due date without forcing them to go to court, they are actually charged only 18 per cent.

Mr. Thomas: Is it in the case of small loans only or on large loans as well?

A.—In the Trichinopoly district, I have seen a case where as a matter of fact this practice was adopted in the case of loans between Rs. 500 to Rs. 1,000.

The Chairman: Does the document show the true principal lent?

A.—The principal stated in the documents is correct.

Q.—Is it a fact that they take a promissory-note for Rs. 1,500 and actually give Rs. 1,000 only?

A.—As far as I know, the Nattukottai Chettiyars do not do that kind of business. I have not come across any such case up till now.

Q.—Would you be surprised that there are such cases?

A.—So far, I have not seen any such case.

Q.—Do you dispute the fact that Chettis here are exorbitant in their rate of interest?

A.—They are exorbitant.

Q.—Yet you say that there is no prejudice against them. Is that so?

A.—Yes, I find that there is no prejudice against them.

Q.—Do you know any cases in which blank pro-notes have been signed by parties?

A.—One of my officers says that he came across such cases.

Q.—You have said in your memorandum that the rate of interest in the kandu system is vague. Can you explain to me how it is vague?

A.—The English Courts have held that the rate of interest is not understood by people even when it is excessive.

Q.—You say that the Chettis are anxious to have an easy means of recovering their loans? And you also say that they realize only 10 per cent rate of interest. Do you think that there can be any real anxiety for the realization of their capital, if they only demand 10 per cent interest?

A.—The point is that in this Presidency some more facilities have to be extended to them. Ten per cent is only the rate I adopted for capitalising, i.e., for calculating the amount employed in money-lending business on the basis of profits.

Q.—What will happen if those facilities are given?

A.—If you refer to Appendix E, Part A on local money-lending it will be seen that the percentage of net profit to the own capital is 5.7 per cent in one case, in another 5.01 per cent and in a third 12.7 per cent. My 10 per cent rate was only a flat rate adopted for purposes of estimate. Chettis complain about the difficulties felt here in realizing their dues. The Chettis told me that, if in this Presidency facilities for recovery of loans were provided like those they have in Singapore, Federated Malay States and other places, there would be an inducement for them to employ more of their capital here and thus divert their business to this Presidency.

Q.—Do you suggest that they should charge a higher rate of interest here?

A.—I do not say that.

Q.—Does it not naturally follow that they must charge a higher rate than what they are obtaining in Burma, Federated Malay States, etc., because they will never be tempted to divert their business unless they get a more profitable rate here?

A.—My point is that if those facilities are extended, they would employ their capital for advancing loans on a larger scale in this Presidency.

Q.—Their object, to put it plainly, is that they are not at all going to divert their business from Burma to South India unless they realize higher rates of interest. Is that not so? Moreover, is it their view or is it your view that they would do so, if greater facilities are afforded?

A.—It is their view.

Q.—Then what is your view?

A.—Whether the Chettis will divert their business or not, which is a different matter, I do not see why provisions similar to the English Money-lender's Act should not be introduced in this Presidency as in Federated Malay States, Ceylon and other places.

Q.—Then what are your suggestions in this matter?

A.—If we introduce an Act similar to the English Money-lender's Act of 1927 the interests of both borrowers and creditors will be better protected. According to that Act the money-lenders will have to register themselves before Government officials. They should not charge compound interest. A rate of interest higher than 48 per cent is prima facie excessive justifying interference by courts and so on. Violation of same rules is made penal. If such rules are introduced here, I think they will go a great way towards improvement of the problem of money-lending in this country.

Q.—Do you think it is possible to do so. There are many things which are possible in England, but not in India. Do you think that if such a piece of legislation, if enforced in India, will work? Suppose you prohibit any money-lender from lending money on condition that they should not charge compound interest or interest above 48 per cent and all that, can you enforce that?

A.—I think the Income-tax Department could see to registration of money-lenders like the Commissioner of Inland Revenue in England. It will then be the business of civil courts to see that if any money-lender charges a rate which is found excessive they do not give a decree for that amount.

Q.—How will you prove, if the whole business is done in private?

A.—I find from cases coming before English courts, that are reported in the journal *Accountant* that such things are found out there. I think that the same procedure can be adopted in India also.

Q.—Can you tell me why the money-lenders charge a higher rate of interest on small loans to the agriculturists?

A.—I have said that in some of these loans the rates of interest vary from 12 to 18 per cent. The small debtors borrow under the *kandu rate* and I believe that the interest comes to about 30 per cent. The higher rate is for the risk involved. I have also said in paragraph 17 of my report that after making allowance for legal expenses, management charges, losses through default and through foreclosure, etc., the net return to the indigenous bankers on their capital will be only 8 to 9 per cent in South India, 10 to 12 per cent in Ceylon, 12 to 15 per cent in Burma and 15 to 18 per cent in Federated Malay States.

Q.—That is to say in the Federated Malay States they actually charge a very much higher rate of interest than they are doing in India, is it not so?

A.—Yes. Their rate is roughly double or thrice of what they charge here.

Q.—Do you not think therefore they undertake greater risks there?

A.—Yes.

Q.—That means there is considerable amount of bad debts, is it not?

A.—There are bad debts. The lending rate is very much higher than that in Madras and the facilities for recovering are also greater.

Q.—Does it not logically follow that neither would they reduce their rates in Madras, nor would they unnecessarily undertake risks?

A.—So far as rates of interest are concerned, there are various agencies like the co-operative societies which can put a check on their growing rate. As the Co-operative Department is expanding, the rates of interest in villages are coming down. So the Chettiyars also would necessarily have to charge the same rate as co-operative societies.

Q.—Are there not co-operative societies in Burma?

A.—The co-operative societies in Burma appear to be in their initial stage, and not to have developed to the extent of influencing the prevailing rates of interest among money-lenders in the rural parts of Burma.

Mr. Thomas : Do you think that the Nattukottai Chettis are bankers, in the true sense?

A.—Yes. The Madras High Court have repeatedly held that they are bankers. The civil courts throughout this Presidency have held the same view because they lend out not only their own capital but also borrowed capital.

Q.—The commonly accepted definition of a banker is one who takes deposits subject to withdrawal by cheque. Only a few of them take deposit from the public, is it not so?

A.—Yes.

Q.—What are the reasons for the increasing migration of these Chettis from India? Is it because of the attractions for business existing in other countries?

A.—I do not say that their business is growing more and more in other parts but their business has always been there. They have been trading in Calcutta from about 100 years back. They went to Burma in 1852 or so on the heels of the British Government. Long before that they have been conducting business operations in Ceylon and the F.M.S. from about a hundred years ago.

Q.—Lately they have considerably extended their business outside India, don't you agree?

A.—They find their business more lucrative there.

Q.—You say that they have withdrawn their funds from India. What is its cause?

A.—The cause of it is that they find that the money invested abroad yields more profits than it does in Southern India.

Q.—Are there no other causes?

A.—That is the chief cause.

Q.—Is it possible that the absence of income-tax in the F.M.S. and in Ceylon is a cause?

A.—I do not think that income-tax matters much to them. What is really the cause is that the business in those parts is found by them to be more lucrative.

Q.—Indeed it may be the principal cause. But there may be other contributory causes also?

A.—Yes.

Q.—What is the economic result of such an emigration of capital?

A.—In one sense this country will be depleted of the capital which ought to be employed here otherwise; in that respect it is a loss. In another sense, if you regard him as a usurious money-lender, his absence from here will be beneficial to the people.

Q.—But has not the Government the power to control usurious practices and make him serviceable to the community?

A.—Yes.

Q.—Government losing income-tax is also a material consideration, is it not so?

A.—In the United Kingdom, a resident wherever he may trade, has got to pay tax on all the income he gets from trade. Here in British India according to the Income-tax Act, section 4 (2), the foreign profits of the Chettis in businesses done abroad is subjected to income-tax only if they be remitted into India.

Q.—This provision therefore enables the Indian trading abroad and keeping his money abroad to dodge the Indian Income-tax Authorities? And if that country has no income-tax the party is considerably benefited?

A.—They find that their money is yielding more profits in other places than in Southern India.

Q.—And in result?

A.—We are losing the tax that we would otherwise have got if all the money remained in India, barring the tax we levy on remittances of foreign business profits.

Q.—You speak of certain windfalls that benefited the Chettiyars a few years ago. How far have these windfalls benefited the exchequer of this country?

A.—The profits derived by the Nattukottai Chettis in foreign businesses if remitted to India are taxed. The rubber profits came in only after 1923. In regard to the earlier appreciation in value of old shares about 15 years back I do not know what took place. Increase in the face value of shares in companies is ordinarily regarded as accretion to capital and not as profits and we could not tax it. When a man has got a share in a bank and when that share appreciates in value we cannot tax it unless he be one who makes it a business to trade in these shares.

Q.—Windfall wealth is a specially favoured source of taxation in other countries. Is it not so?

A.—It may be but not accretions to the capital which cannot be taxed. They are net profits.

Q.—I agree that only in times of stress should windfall wealth be taxed. But does not income increase as a result of accretion to capital. And should it not benefit the exchequer?

A.—There is a fine distinction between *income or profits* and *accretion to capital*. The income may be compared to the fruits of a tree, whereas accretion to capital corresponds to increase in size of the trunk of the tree. That is the comparison that has been made in a Privy Council case in which they distinguish the accretion of capital from the profits in this manner.

Q.—But hand in hand with the accretion to the size of the trunk, there will be an increase in the fruits. And from such fruits, the State takes a portion?

A.—Yes.

Q.—Now, in regard to regulation in the future, which would you prefer—allowing them to remain as they are, but to work under strict regulation regarding terms of business, auditing, etc., or, would you encourage them to organize themselves into joint-stock banks and work under the company law?

A.—I think that encouragement must be given for the formation of joint-stock banks; and it seems to me also that the legislation should be introduced for registration of money-lenders. In Ceylon money-lenders are being registered.

Q.—If they form into joint-stock companies, they could enlist the sympathy of other people by allowing them to take shares?

A.—Yes.

Q.—And thereby will there not be a greater diffusion of capital in the community?

A.—Yes.

Q.—You know the *nidhis*. Are they mutual benefit societies or commercial concerns?

A.—Many are of the latter category. We find that some of the mutual benefit societies in Trichinopoly carry on the business of money-lending with non-shareholders; and we have taxed their income since under the guise of mutual benefit they do money-lending business with outsiders.

Q.—In regard to the reorganization of the Chettis, do you think the *kommandit* principle will be serviceable? For, if the leading partners work on the unlimited liability basis, will not the public have greater confidence in the firm?

A.—I cannot say. The opinion was divided among them and most of them being cautious men would not express any definite opinion.

Q.—You feel that the Chettis will be a valuable asset, if only they are properly organized and their business carefully regulated?

A.—They could be harnessed into service, subject to proper safeguards. As money-lenders they are experts.

Q.—Their business is done in a cautious and careful manner?

A.—Yes.

Q.—We must conserve and strengthen them rather than try to weaken them?

A.—Yes.

Q.—Is there any means of giving a stimulus for their combining into larger units?

A.—It is worth while trying.

Q.—In other words, can we give an incentive to smaller units to combine themselves and form larger units and then to have branches opened?

A.—If they form themselves into joint-stock companies then the effect will be that they would be charged at the rate of 1½ annas for every rupee of the company's profit and each man who has got a dividend warrant can claim a refund of income-tax with reference to the rate appropriate to the income he actually derived during the year.

Q.—Have they any specific suggestions to make?

A.—I asked several of them about that. They say that if cheap capital can be placed at their disposal, that is capital on which they would be charged lower rates of interest than that which the Imperial Bank charges them, they will consider the matter. They are very careful people and they would not commit themselves to any definite statement.

The Chairman: They could get money at cheaper rates of interest?

A.—I am not in favour of any specially favourable treatment being accorded to them.

Q.—Who is to give them?

A.—They say that the trust funds of the Government and the district board funds should be left with them at a cheaper rate of interest. They want to be the custodians of such funds when they are linked with the reserve bank.

Q.—At what rate can they borrow money now?

A.—They told me that they have to pay about 2 per cent above the bank rate. I have given it in Appendix B of my statement.

Q.—If they take from private depositors what do they pay?

A.—The average nadappu or current rate at Madras came to 8.92 per cent in the year Vibava (1928-29).

Q.—How do you arrive at that average?

A.—By taking the total of the various monthly rates and then dividing it by 12.

Q.—That cannot be the average; you must take the actual business done under each rate and then the average should be taken. The Imperial Bank is generally lending at a lower rate than the rate at which money can be got elsewhere. Is that not so?

A.—Yes.

Q.—It has been suggested that somebody should give them money at a cheaper rate?

A.—Yes.

Q.—How can they pay 9 per cent, when somebody else pays only four per cent?

A.—That is because of the huge profits that they are able to get in the Federated Malay States and other places.

Q.—Is anybody going to lend them more money at a lower rate?

A.—The point which one of them brought to my notice was that the deposits with the Government which fetch only 4 per cent may be deposited with them when they are reorganized and linked with a central or reserve bank.

Q.—The co-operative societies can borrow money in the open market at a lower rate than the Nattukottai Chettis can because their credit is much higher. Do you think that the people will deposit money for 4 or 5 per cent with the Nattukottai Chettis in preference to the co-operative societies?

A.—No.

Mr. Thomas: In regard to the nidhis what were the reasons that weighed with you in classifying them as commercial institutions rather than as mutual benefit societies?

A.—We found that they were not doing the business of the mutual benefit societies and so we could not give them the benefit of the exemption in accordance with the decision of the Madras High Court in the Mylapore Hindu Permanent Fund case. There the fund was found to be lending only to members, whereas in the case of these nidhis the money is lent to outsiders as well.

Q.—Do you know if the Tanjore nidhis do so?

A.—I do not know. But there are five or six nidhis in Trichinopoly.

Q.—Are they lending to non-members?

A.—Yes.

Q.—They take deposits also from non-members?

A.—Yes.

Q.—On that ground, you have taxed their profits?

A.—Yes. The Madras High Court in the Trichinopoly-Tennore Fund case have given the reasons why these should not be considered as mutual benefit societies.

Mr. Gopala Menon: You say that the total assets of the Nattukottai Chettis is Rs. 66 crores. I wish to know how much of it is their own funds and how much of it is trust funds?

A.—I am sorry I cannot give you the information. But the borrowed capital includes the trust funds with them. That comes to nearly 50 per cent.

Q.—So at least 50 per cent is trust funds?

A.—I am afraid that cannot be taken as 50 per cent.

Q.—What I want to find out is that when they want the funds of the local bodies to be given them at a low rate of interest, the rate of interest at which they are holding trust monies which they have already with them?

A.—But many of these trusts are not legally constituted trusts. I know there are several cases where they utilize the money for some charitable purposes but they are not legal trusts.

Q.—If they get these funds from the local bodies are you sure that they will lend out for the benefit of the people at large at a rate cheaper than what they are charging now?

A.—They said that then they would do so.

Q.—But have they done so in regard to the trust funds which are already in their possession?

A.—But these funds are as good as their own private property.

Q.—Then you maintain that the reason for the flow of capital to the Federated Malay States, Burma, Ceylon and other places is because they could find a better rate of interest?

A.—Yes.

Q.—You also said they would bring back their money to India if they could get better financial facilities from Government, say money at a very cheap rate of interest. Is that not so?

A.—Yes. They also said that if more facilities were offered for recovering their dues from their debtors similar to those given to them in the Federated Malay States there would be inducement for them to do money-lending business in India on a large scale.

Q.—Then can you say whether they would organize themselves as bankers under a registration board?

A.—I asked them whether they would form themselves into joint-stock companies. They are cautious and gave only a half-hearted reply.

Q.—Can you suggest as to the way of linking up the indigenous banker to the central money market or with the reserve bank. They say that they want better facilities. Do you not think that there should be a better organization in order to link the indigenous bankers with the central money market?

A.—The only way seems to be, even if they do not form themselves in to joint-stock companies, they should be asked to register themselves as money-lenders and thereby Government can secure control over them and in that manner bring them into closer touch with the methods they wish established.

Q.—What guarantee is there that if they are afforded the facilities that they want they would bring back their money into India? Everything depends on the question of supply and demand and the money flows into that place where there is a demand for it and better rates of interest are offered. Is that not so?

A.—As it is, I do not think that they will bring back their foreign capital into India.

Q.—You know that in England, America and other countries the rates of interest are much cheaper than in India and therefore their capital comes to India where better rates of interest can be earned. In the same way as the money of the Nattukottai Chettis flows from India to other countries where better rates of interest are offered, do you not think that money from the places where the rates of interest are much lower than they are in India will flow into India?

A.—I cannot say.

Q.—What is happening now? Do you not find external capital is coming into this country?

A.—Yes.

Q.—And that has been for the improvement of the country. Do you admit that?

A.—Yes.

Q.—Do you not think that for the benefit of the Indian money-market and India as a whole we should link the Indian money-market with the money-markets of the world?

A.—I think so.

Q.—If you put restrictions on a particular class of money-lenders and favour another class of money-lenders will that work for the benefit of the country as a whole?

A.—I have not advocated the imposing of any restrictions on any particular class of people.

Q.—You do not think that these people are using much of their money in trade?

A.—They are chiefly money-lenders. Some of them also trade.

Q.—You do not think that those who utilize their own capital as bankers and who also utilize that money for purchase and sale of goods and thus making profit can be classified as bankers. Do you?

A.—No.

Q.—So banking must be pure and simple banking?

A.—Yes.

Q.—Banking and trading should not be mixed together?

A.—No, they should not be mixed together.

The Chairman : This kandu system is prevailing among small classes of Chettis?

A.—Yes.

Q.—It is not met with in big Chetti firms?

A.—No.

Mr. Thomas : There are also other classes of money-lenders that give money on the kandu system?

A.—Yes, but the original class of money-lenders who introduced this in these parts is the Nattukottai Chettis.

Mr. Gopala Menon : They are bankers from times immemorial and they know banking both as a science and an art. They are an adventurous class of people and need every encouragement.

A.—Yes.

Mr. Thomas : You spoke of certain Chetti firms having failed some time ago. Can you give the reasons?

A.—The reason for the failure of the Calcutta firms was, I was told, that money got locked up in agricultural estates. As the assets were not fluid enough they were not able to meet the demands suddenly made. This was the main cause.

Q.—There was no speculation?

A.—There was no speculation. Money was not kept in a liquid form, that was all.

Q.—Money was locked up in land?

A.—Yes.

Q.—And probably that depreciated?

A.—No. Money was not immediately available to meet the rush.

Q.—Did not any of their brother bankers come to their rescue?

A.—At that particular time some eight of them collapsed together.

Q.—Are there many Nattukottai Chettis who lock up their money in land?

A.—They will not ordinarily do so. They have rubber estates in Malaya and tea estates in Ceylon, but the moment they get good prices they sell them. If you refer to the rules and regulations of the community in Appendix F it is laid down specifically that they should not engage themselves in agriculture.

The Chairman : Which was the firm that recently failed?

A.—The T.S. Firm. There I was informed that the assets were equal to the liabilities, but they were not liquid. They had extensive landed properties.

Mr. Gopala Menon : Four years ago the A.R.A.R.S.M. Firm failed?

A.—Yes, they ran a textile mill at Choolai on very unbusinesslike lines.

(The witness then withdrew.)

Friday, 31st January 1930.

MADURA

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R. By. C. D. NAYAGAM Avargal, Deputy Registrar of
Co-operative Societies, Madura.

Oral evidence.

The Chairman : You are the Deputy Registrar here?

A.—Yes.

Q.—What is the result of the co-operative societies here? Has it produced any result that you can see?

A.—In several places it has brought down the general rate of interest.

Q.—Can you give us anything more definite than that? Can you give us actual figures?

A.—No.

Q.—What is the prevailing rate now?

A.—Is it in places where there are co-operative societies or where there are no co-operative societies?

Q.—Is there any difference in the rates where there are co-operative societies and where there are no co-operative societies?

A.—In places where there are no co-operative societies the rate of interest is 18 per cent and where there are societies it is 12 per cent.

Q.—Any idea what the rates were 15 years ago?

A.—For persons with good credit it was 12 per cent, otherwise it was much higher.

Q.—You say the rates have come down. How much have they come down? What is the extent of it?

A.—Nowhere is it more than 12 per cent even to persons to whom co-operative societies will not lend. They are all able to get loans at 12 per cent. In some places it is less than that but nowhere more than 12 per cent.

Q.—What was the rate of interest previously?

A.—It was more than 12 per cent.

Q.—How much more?

A.—I cannot say definitely.

Q.—Are the Nattukottai Chettis lending at very much higher rates? At 18 to 30 per cent interest?

A.—I know of places where these Chettis have closed their businesses where co-operative societies have been established.

Q.—That is a very good thing?

A.—Yes.

Q.—You have got one fairly big urban bank here in Madura. What is it doing? Lending money?

A.—Yes.

Q.—Who to?

A.—It is lending money chiefly to the professional classes.

Q.—It does not include Government servants?

A.—It includes Government servants.

Q.—They have got their own society?

A.—Some of the urban banks prefer them.

Q.—They are lending to small tradesmen?

A.—Not to a large extent.

Q.—Why?

A.—The tradesmen have been keeping to their old groove and they have not been drawn to this.

Q.—Why is that? Can you give us any reason? May I suggest that it is in the hands of the professional classes and they do not encourage others to come into it?

A.—Yes, it is so.

Q.—It is not of very much use in financing trade, I mean retail trade?

A.—No.

Q.—At present the small shop-keeper is getting a good deal of loans from the Chettis?

A.—Yes, they do.

Q.—And from Multanis?

A.—Yes.

Q.—You know the kandu system?

A.—Yes, I know it.

Q.—Is it common?

A.—Yes, among traders.

Q.—The co-operative bank could finance such business?

A.—It could.

Q.—It does not?

A.—No. At present in places where the directors are drawn from among businessmen it is more popular among traders.

Q.—Is there any idea that it will not be on co-operative basis? There is no opposition to it on that ground?

A.—No.

Q.—You have any prospects of co-operative societies being of any use for that purpose?

A.—Yes, it is gradually drawing traders in.

Q.—Would it not be advantageous for these traders to form a society to finance themselves?

A.—Yes, they can form a separate society.

Q.—Is the ordinary urban bank capable of conducting such business?

A.—The traders can get into the management.

Q.—Why do they not have a separate society as in Tirukkoyilur?

A.—There may be competition among the two banks to draw in deposits and the rate of interest may go up.

Q.—Will they get enough?

A.—The depositing public have entire confidence in co-operative societies and they prefer co-operative societies even at lower rates of interest. If there are two societies in one and the same place the deposits are attracted more towards the later society. Having one bank will be more economical.

Q.—The cardamom planters; their produce comes to Madura. Is that not so?

A.—Yes.

Q.—What is happening about that? That is financed by whom at present?

A.—By the traders of Bombay.

Q.—They advance money?

A.—Yes.

Q.—Who to?

A.—To the planters.

Q.—Direct?

A.—No, not direct. They have their agents here.

Q.—What do they advance for?

A.—For cultivation expenses.

Q.—That is for clearing the gardens after the monsoons?

A.—Yes.

Q.—On the security of?

A.—They undertake to sell them the produce.

Q.—Is that the only finance they obtain at present?

A.—There are co-operative societies at present established.

Q.—They have not got a limited liability company of their own?

A.—Yes, they have.

Q.—Is it not doing anything?

A.—It is purchasing produce.

Q.—Is it not lending any money?

A.—They do, by way of advances.

Q.—And the co-operative societies?

A.—They lend to the members. One society at Bodinayakkanur sells the produce of the members.

Q.—How many societies are there?

A.—Five.

Q.—Are they doing anything?

A.—They are doing something.

Q.—Any idea as to the extent of their business?

A.—They do about a lakh of rupees business a year, some more than that.

Q.—These cardamom planters, whose estates are actually in Travancore, in the past they were given loans by the cardamom merchants who advanced to them money and took over the produce. They were satisfied with what ever price was offered. A series of co-operative societies were opened, five in number which were intended to take over the produce and arrange for its sale and they also gave advances to the producers on the security of the produce. Correct me if I am wrong?

A.—Sometimes personal security was also taken for advances made before the produce was sold.

Q.—These estates, all of them were on the other side of the border but their markets were in British territory?

A.—The first group of markets were at Kombay, Bodinayakkanur and Thevaram. Some of the produce came to Madura also. They used to be stored in the godowns here and the Imperial Bank advanced money on that to the extent of Rs. 5 lakhs to Rs. 6 lakhs. Then there were the bigger markets at Tuticorin and Calicut. These co-operative societies were formed and they did a little bit of business and then the more prominent among those members of the co-operative societies formed a limited liability company which was formed for the purpose of buying up the produce. Their idea was to go even further, to corner the whole cardamom market. They established some branches and sale depots in northern India.

Q.—These cardamom estates, what is the average extent of each?

A.—They vary from 5 acres to 500 acres. There is one Mr. Subbaya who owns an estate of 1,000 acres. He is the most prominent of them.

Q.—So the highest is 1,000 and the smallest 5 acres?

A.—Yes.

Q.—What about these co-operative societies?

A.—The main grievance of the merchants against those co-operative societies is that the merchants wanted 15 days' credit which was not given by the societies.

Q.—What did the Imperial Bank do?

A.—They advance money on the produce locked up in godowns.

Q.—Am I right in saying that these were released bit by bit?

A.—Yes. But the planters found it difficult to bring it to Madura because the Imperial Bank wanted them to bring it to Madura. They found it better to ship it direct to Bombay.

Q.—Are there godowns in Madura?

A.—Yes.

Q.—Is the joint-stock company doing any business?

A.—They did not do very much last year. They purchased a large quantity but found themselves unable to sell it. They opened depots in Northern India but found themselves unable to compete successfully with the local traders there who had more of local knowledge. Some people who had joined the company now are eager to come back to the co-operative society.

Q.—The co-operative societies are lending for a number of different purposes. Are they lending much on produce?

A.—Not to a very large extent.

Q.—Is it developing at all?

A.—It is developing.

Q.—Quickly?

A.—Yes, especially in commercial produce, like cotton.

Q.—You have got a big cotton sale society at Koilpatti?

A.—Yes.

Q.—What is the extent of its business?

A.—Rs. 2 lakhs a year.

Q.—Is it the ryots' cotton or the merchants' cotton?

A.—In a few cases the ryots buy their neighbour's cotton also.

Q.—What is the result? Have the ryots benefited?

A.—Yes, a large number of them have benefited.

Q.—Have you any idea as to the extent of the benefit?

A.—The exporting firms prefer to get their cotton from the co-operative sale society and they find a more ready sale than the other cotton. They find no adulteration in the cotton marketed by that society.

Q.—Sure about that?

A.—Yes, that is the general opinion among the exporting firms. But some firms want also inferior cotton.

Q.—For adulteration purposes?

A.—Yes. The adulteration goes on in the spinning mills.

Q.—What about the ordinary village society? Is it lending on produce?

A.—A few.

Q.—Is there any indication that it is increasing?

A.—It is increasing.

Q.—What are they lending for?

A.—For their agricultural expenses, or for payment of kist, or to keep their family going before they sold the produce.

Q.—These are short-term loans?

A.—Yes.

Q.—Is the short-term loan increasing?

A.—Yes.

Q.—Is it genuine short-term business?

A.—Yes.

Q.—Can you say to what extent societies are lending for a purpose while the money is used for some other purposes?

A.—I cannot say.

Q.—What is the result of this lending at lower rates of interest? Is the ryot better off or is he more in debts?

A.—There are instances of both.

Q.—What is your general impression about it?

A.—Improvident ryots are getting more into debts because they get cheaper money, but the prudent men are benefited.

Q.—Are there many such?

A.—A considerable number.

Q.—What about the money-lenders?

A.—Money-lenders in the villages having co-operative societies have ceased to make money. Some of them have joined the society and have deposited their money in the co-operative societies. They have got into the management also.

Q.—In some cases I suppose societies are used to realize their own dues?

A.—There are a few such cases.

Q.—What about the other class, the small artisans and the weavers? Are they getting any benefit?

A.—Practically the weavers are not getting any benefit. They are not able to find a sale for their produce.

The Chairman: Is there any sign of the ordinary villager taking an interest in the co-operative societies?

A.—Yes. More and more people evince interest in the working of the societies.

Q.—Is that at present very much?

A.—There is a great deal of improvement.

Q.—When do the members of the society meet?

A.—In most cases it is once a year. There is a society at Dindigul which meets once a fortnight.

Q.—There was a conference?

A.—Yes, last October.

Q.—What is the result of that?

A.—Societies are being encouraged. By-laws have been amended.

Q.—Is there much opposition in the villages?

A.—No opposition.

Q.—Are there overdues?

A.—They are on the increase.

Q.—Why? They were down last year?

A.—Yes.

Q.—But what about the present?

A.—They are going down.

Q.—What is the cause?

A.—More efficient supervision.

Q.—By?

A.—Officials.

Mr. Gopala Menon: Not by the directors?

A.—No.

Q.—Why not? The directors are responsible for the management?

A.—They have to depend on the members who elect them. The directors are elected by the shareholders at the general meeting and these shareholders are those who are in arrears.

The Chairman: Non-official supervision, has it improved?

A.—There is slight improvement. Some three months ago I organized a society in Tuticorin on the condition that each member should pay for the recurring deposit. In that way they have great advantage for themselves by way of savings and the overdues will be watched by the members. Some four years ago also I started one such society and I hear that it is working very successfully.

Q.—What about personal savings in the village? Are there many deposits in your districts in the village societies?

A.—Not in the village societies.

Q.—Was not the question raised some time ago for encouraging savings deposits?

A.—Yes.

Q.—Any result?

A.—It is only done in urban societies. In Tinnevely there are no societies taking deposits.

Q.—But there are a large number of chit funds in Tinnevely?

A.—Yes; there are.

Q.—In these chit funds the members are subscribing every month?

A.—They subscribe only once in six months.

Q.—If they can subscribe to them, why not they subscribe to the co-operative societies? Has not that idea been put into them? The village societies have provision in their by-laws for running chit funds. You know of any one single instance where it has been done?

A.—The by-laws provide for monthly subscription.

Q.—You know of any single case in which it is done?

A.—In the urban areas there are. In Palamcottah in the urban bank they have a number of chits. In Dindigul also there are, but not in village societies.

Q.—You have much experience of these chit funds?

A.—Yes.

Q.—Have you any idea as to how many chit funds there are in the Tinnevely district?

A.—I cannot say, but it will be more than a thousand.

Q.—Is there more than one chit in the village?

A.—Yes.

Q.—Do many poor people run chits in kind?

A.—At one time there was, but now it is getting out of fashion.

Q.—Small chits of eight annas and so forth, is it a weekly chit or monthly?

A.—Monthly.

Q.—I suppose there are a good number of them?

A.—Yes; there are.

Q.—The bigger ones, what will be their amount?

A.—The bigger ones will be about Rs. 50 to Rs. 100 every six months.

Q.—What is the price and how many years?

A.—Twenty instalments and ten years.

Q.—What is the commonest form, the prize chit or the auction chit?

A.—Auction chits are more common than prize chits.

Q.—Chit funds, the bulk of them is on monthly subscription?

A.—Yes.

Q.—Is there chits of ten rupees monthly?

A.—Very few. If it be monthly the amount will be a rupee or two.

Q.—Are there not many of those?

A.—There are. It is confined to wage earners.

Q.—That is what I want to know. Can you give us an idea of the members of these?

A.—At least 5,000. The average amount will be about Rs. 20 to Rs. 25 each.

Q.—And the bigger ones?

A.—About a thousand.

Q.—Have you not got prize chits?

A.—There are two kinds of prize chits. But it is not so popular.

Q.—Why?

A.—It was more popular but now it has gone out of use in the Tinnevely district.

Q.—Now, are these chit funds on the increase?

A.—The bigger ones are not on the increase.

Q.—Why do they run those chit funds?

A.—It is generally because persons whom they want to oblige go round and ask for a chit being run. The man runs in his own interest every time.

Q.—Cannot he get those funds in any other way?

A.—No one may like to pay him Rs. 1,000. He may require to start a business Rs. 1,000. Instead of borrowing it from one person, he gets the money from 20 persons. Others get the money in turn.

Q.—Are there many abuses?

A.—Not in the big ones.

Q.—How is it that they often come into court?

A.—Those who go to the court may be 5 or 6 per cent or even less than that. After all 5 to 6 per cent is not a big proportion.

Q.—Do you know whether chits and nidhis do anything that could not be done by the ordinary bank or by the co-operative societies?

A.—Subscribers to these chits are always from a single village. They do not come from other neighbouring villages.

Q.—Where do they come from? They could put their monies in a co-operative society and earn more profit?

A.—Yes; the membership in the co-operative society will be only for those residing in that part of the village. But everybody is eager in the village to join the chit.

Q.—Why not he get money from the co-operative societies or from nidhi? It is more obliging to him than those people?

A.—The field is more limited.

Q.—Why not from the Multani, Marwari or Chetti?

A.—Some people who join the chit do not do it voluntarily with the idea of saving it but to bid for the amount. Others consider it as a source of investment, a form of saving.

Q.—Why join the chit? Why not put the money in co-operative societies as deposit?

A.—Yes; they can do so. Here they are compelled to put their money every six months.

Q.—Is it convenient for payment every six months?

A.—Big ryots pay when they sell the produce. There are places where people get two crops.

Q.—Even then it is only very few people?

A.—It is only such people that will join the chit.

Q.—How can they get an advantage from the chit fund? Co-operative societies are equally safe. They can put funds in savings deposits or recurring deposits whenever they get funds.

A.—Yes.

Q.—They can get loans at a lower rate of interest on more favourable terms?

A.—Yes. Such people who require loans can borrow from the co-operative societies. But the people who go to the chits do so because they get their income every six months and someone is going and asking them to join the chit.

Mr. Thomas: Are there considerable overdues in the co-operative societies in your division?

A.—Yes.

Q.—Has it been on the increase?

A.—It was on the increase but now it is going down.

Q.—Long-term loans were given. For what periods?

A.—That kind of loan is for eight to ten years. It was common, but not now.

Q.—Does any co-operative bank over here discount bills of exchange?

A.—Now only the urban banks are doing that. It is only for customers.

Q.—Did you say that the shop-keepers have not much incentive to join the co-operative societies?

A.—Yes.

Q.—Is it because they are indifferent or because the professional people are not sympathetic towards them?

A.—They find it more difficult. The professional people are not in touch with them. They are able to assess their credit very rarely. They have got produce in their godowns.

Q.—How would you make co-operative societies more serviceable to the shop-keepers in the town?

A.—They should get into touch with the members and they should have their own men in the directorate so that those who are directors from among themselves may be able to give the necessary information to the other directors.

Q.—What stands in the way now?

A.—There is the Chamber of Commerce. Those people want more heavy loans which the co-operative societies cannot afford to give. They want generally twenty to fifty thousand rupees. But in the case of small shop-keepers they may be helped from the co-operative societies.

Q.—They are not coming?

A.—They are gradually being drawn in.

(The witness then withdrew.)

Friday, 31st January 1930.

MADURA

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMKED SULTAN MARICAIR SAHIB Bahadur.

M.R.By. A. B. VENKATASWAMI NAYUDU Avargal,
Merchant and Agent, Post Box No. 51, Madura.

Oral evidence.*

Mr. Thomas : May I know the business you are engaged in?

A.—I am doing no business myself. I am only a commission agent and purchase goods on indent terms for account of my clients.

Q.—Have you had any experience of money-lenders?

A.—I have very little experience about them.

Q.—Do you know how groundnut is brought to Madura market and how they are sold?

A.—I do not know much about the groundnut business in Madura. I have not done business in Madura in this line. I only know how they are exported in Cuddalore and Chingleput.

Q.—Do you know how the English firms get their produce?

A.—The ryots sell their groundnut to the middlemen first who afterwards either sell them to the European houses or directly export them to foreign countries. Sometimes the European firms appoint commission agents or open their own agencies for the purchase of groundnuts directly from the ryots themselves.

Q.—Who are the middlemen—Are they commission agents?

A.—Yes. Some middlemen also buy for their own account.

Q.—What is the relation between these middlemen and the ryots? Do the ryots take advance from the middlemen?

A.—Sometimes they take advances but it is not common. Because, if they take advances, the produce must be sold to them only, while they can sell their produce to any other men, if they do not take any advance, and thus effect more profit if the prices are favourable at the time of effecting sales.

Q.—And what is the relation between the middlemen and exporting firms?

A.—The middleman is one who sells to the buying houses or to the shippers the goods which he purchased or received as consignments for sale, from the ryots. The exporting firms are those who ship the goods to the foreign countries against orders from buyers or for their own account or for the account of the dealers on this side. The ryots are the agriculturists who sell the goods to the middlemen or to the buying agencies or sub-agencies of the exporting firms.

Q.—How do the ryots take their produce to the markets? Who is transacting with the firm and in what way does the whole produce reach the port?

A.—The ryots first of all sell their produce to the commission agents and/or the buying agencies who purchase for the European firms. Sometimes, as I have already said, the commission agents purchase directly for foreign companies, by making some arrangements with them. They forward the goods by cart or by rail to the port.

* For written evidence, vide pages 241—242, vol. II.

Q.—You said that the ryots get advances from the middlemen. On what terms?

A.—I have no knowledge of it now. In certain cases goods are sold for cash against delivery also.

Q.—Do you know what commission they generally charge, for purchasing the produce for the English firms? Have you done any such business?

A.—One per cent. I have been doing commission business in iron, steel and other things for dealers in Madras and Madura only. I have personally done no such business and I have no first-hand information.

Q.—Have you had any occasion to study the dealings of Multanis and the Nattukottai Chettis?

A.—I have heard of them, but have no direct experience with them.

Q.—Do you know what is their rate of interest?

A.—I understand that it is between 9 to 12 per cent.

Q.—Do you know of the kandu system?

A.—I have heard of the kandu system, but I have no experience of it.

Q.—Have you any knowledge of the Manjaputtur Chettis?

A.—I have no idea.

Q.—You had been Secretary to the Chamber of Commerce?

A.—Yes.

(The witness then withdrew.)

The committee adjourned to meet again at 11 a.m. on Sunday, the 2nd February 1930, at Tuticorin.

Sunday, 2nd February 1930.

TUTICORIN.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Khan Bahadur V. HAMEED SULTAN MARICAIK SAHIB Bahadur.

M.R. By. A. R. A. S. DORAISWAMI NADAR, Banker and Timber Merchant, Tuticorin, and Representative from the Indian Chamber of Commerce.

Oral evidence.

The Chairman: You are a member of the Indian Chamber of Commerce?

A.—Yes.

Q.—What is your own business?

A.—I am a local banker and timber merchant of the place.

Q.—Where do you get the timber from?

A.—We import it from Malabar, Rangoon and other places and sell it here.

Q.—How do you pay for it?

A.—By means of hundis, cheques, etc.

Q.—Have you got branches there, or do you work through commission agents?

A.—We work through commission agents.

Q.—They purchase it locally and despatch it to you?

A.—Yes.

Q.—On what terms do you borrow? Is it for cash or on promissory note?

A.—The commission agents purchase for cash and send the timber to me. On delivery of the timber we pay cash.

Q.—How long does it take for the timber to reach you?

A.—About a week. As soon as it is landed here, I pay the amount.

Q.—Does your timber come direct from Rangoon to Tuticorin?

A.—Yes, the timber comes direct to Tuticorin but the documents are sent to our Madras agents who make payments against them and send them again to us on receipt of our payment.

Q.—How do you pay?

A.—I pay them through hundis at Madras.

Q.—Do you buy hundis here?

A.—I am myself a banker and send my own hundis to merchants at Madras.

Q.—Your hundis are cashed at sight only?

A.—Yes.

Q.—The goods are sent here and on the receipt of the bill of lading, you straightaway take delivery of the goods, do you not?

A.—Yes.

Q.—Where do you raise your money?

A.—I have my own capital.

Q.—How do you sell the timber?

A.—I sell it locally in retail.

Q.—Have you got any warehouses here to store the timber?

A.—I have my own warehouse and take the timber to it and sell it afterwards in retail.

Q.—Do you not raise any money on it?

A.—No, I do not generally do so.

Q.—You purchase timber from Rangoon and sell it locally? Can you tell me how many times you would do that every year?

A.—We are getting consignments twice a month for some months only in a year. We get nearly for 7 months in the year.

Q.—Do you ever borrow for carrying on your business?

A.—Generally I do not borrow for the timber business.

Q.—You run your bank in conjunction with the timber trade, do you not?

A.—Yes. I have opened a separate department for banking business.

Q.—Which did you start first?

A.—The timber business was started first.

Q.—I take it that you found it necessary to open a banking department to run your timber business. Is that not so?

A.—Not exactly so. They are separate businesses. The timber business was started nearly 30 years ago and the banking business only 12 years ago.

Q.—What is the nature of your banking business? Do you finance any particular trade?

A.—I give loans to all local merchants.

Q.—Is it a fact that the banking business developed from your timber business?

A.—Yes. I give a part of my excess capital in banking business, as the whole of my capital is not necessary for my timber business.

Q.—Do you finance only retail merchants or wholesale merchants?

A.—To both retail and wholesale merchants and specially to the grain merchants in the locality import stock which is in excess of their capital and to those people we lend.

Q.—On what security do you lend?

A.—I lend on pro-notes and on current accounts. I do not demand pro-notes every time on regular customers, and important traders.

Q.—Do the grain merchants to whom you lend import grain from outside or purchase their paddy locally?

A.—They import paddy and other grains from Rangoon, Karachi and other places.

Q.—They are consigned on documents against payment?

A.—Yes.

Q.—You have got to advance money until they get the document?

A.—Yes.

Q.—Do you insist on them putting the produce in your godown?

A.—No. They take the produce to their own godowns.

Q.—Do you lend on single signature pro-notes or do you insist on joint pro-notes?

A.—Only on single signature.

Q.—Do you often get stunted? Have you ever any bad debts?

A.—Yes, when occasionally any merchant loses very much on goods he will be unable to pay me.

Q.—Are they working with insufficient capital?

A.—They have sufficient capital of their own. Yet at times they purchase over and above their capital. During the season they do big business, and that is why they fail occasionally.

Q.—Is it a fact that a number of these importing merchants are importing grains and getting advances from local banks and bankers, although they have very small capital of their own?

A.—Most of the merchants here have only a limited amount of capital in cash, but a large amount of property, jewels, etc., and the banks here do not advance them money though they have property. We know the value of their property and their standing and we advance them. In many cases we do not lose.

Q.—Do you not consider it rather a precarious business?

A.—No, because we know the nature of their business, they are doing really some profitable business, we watch over their business every day and we do not often lose.

Q.—Is there much profit in their importing business?

A.—Yes, they often gain much in their business.

Q.—Is it mostly paddy or rice?

A.—Paddy, rice and other grains. But a greater part of their business is rice.

Q.—What do you regard as reasonable profit per bag?

A.—Nearly 2 annas per bag.

Q.—Do you think that it is sufficient for the merchants?

A.—Yes, but they know the time when the prices will rise and when the prices are at the maximum, they sell their stock. Occasionally they may even get nearly one to two rupees per bag.

Mr. Gopala Menon: You are a member of the Executive Committee of the Local Indian Chamber of Commerce?

A.—Yes.

Q.—In the written memorandum you say that Government is indifferent towards the agriculturists in general. Do you not think that the Government is helping agriculturists by way of giving them credit through the co-operative societies?

A.—Even the co-operative societies do not help them much. Only a very small amount is available to the society and what too, to my mind, is not fairly distributed.

Q.—Is it not because that more members do not join the societies?

A.—It may be, but I would urge that more facilities must be given to all the agriculturists.

Q.—In what way do you want more facilities and for what purposes?

A.—If they have enough amount to give loans to all the peasants and agriculturists, there can be no complaint, but at present there is only a limited amount at their disposal and only a very few are benefited by them.

Q.—But these co-operative societies are started in the locality by people themselves who contribute to the capital of the primary societies and district banks. Is it not for the people of that locality to join in large numbers to work the societies?

A.—May be, but I cannot give any more account of them, as I am not conversant with that subject.

Q.—Is it your point that you are not getting help from other banks like the Imperial and joint-stock banks?

A.—Yes.

Q.—You say that you are financing produce. Is it only rice imported from Burma?

A.—We finance any produce to merchants dealing in these districts.

Q.—Do you finance only the village merchant or also the ryots in the village?

A.—Generally merchants, but occasionally we finance agriculturists also. Our merchants in turn also finance the agriculturists.

Q.—What is the commodity they are dealing in?

A.—Cotton, rice, groundnuts and other grains.

Q.—The cotton is mostly exported from here, is it not?

A.—Yes.

Q.—What is the percentage that you as a banker or an exporter who buys cotton generally advance on the estimated value of the cotton?

A.—Generally about 50 per cent of the value of cotton.

Q.—I want to know who fixes the price of the produce? Is it the money-lender, the exporter or the cultivator that fixes the price?

A.—The price is fixed according to the prevailing rates in the market.

Q.—How is the price fixed?

A.—The price is fixed whenever the goods are brought over to the market and not before and at times if the agriculturists want to have the price fixed, they fix it up, and whenever they do so, it is always to the profit of the merchants who give the amount and not to the benefit of the agriculturists.

Q.—Is it your idea that the value of the produce should be fixed at 50 per cent for purposes of advances?

A.—Yes.

Q.—You also say in your memorandum that there are great possibilities for co-operative marketing. In what form can co-operative societies help to organise the marketing of the produce?

A.—The co-operative societies can stock the produce and advance money on them to the agriculturist and can sell it when the market is fair.

Q.—You say that you are financing the traders and ryots in the villages. Do you think that the relation so far as finance is concerned between the villager and the money-lender as it exists now is perfect or defective?

A.—It is very defective.

Q.—In what way?

A.—The villages are not financed to their full requirements and a great amount of interest is extracted from them by those who lend money.

Q.—Who gives credit? Is it the local money-lender or the local merchant?

A.—The villagers get money from both.

Q.—Do you not think that by raising such loans they will be compelled to sell their produce hurriedly in the market and lose a portion of their full value?

A.—They certainly lose, because the money-lenders who lend the amount fix up the price as it suits their convenience.

Q.—Have you got any remedy to suggest in order that the villager can get a better price for his produce?

A.—I have already said that co-operative societies for marketing will go a great way towards solving this problem.

Q.—Apart from that have you got any suggestions to make? I understand that you have got a system, known as the godown system. Do you not think that the villager can bring his goods to the godowns and get an advance from the merchants who are the owners of the godowns and sell the goods at a time when the market is favourable? Would not that system help them to obtain a better price for their produce?

A.—Yes.

Q.—Do you think therefore that it would be advisable to increase the number of banks in order to finance these small local traders on a moderate rate of interest?

A.—Yes.

Q.—Is it not your idea that the financing of the internal trade is now less looked after than the financing of foreign trade?

A.—It is very much less.

Q.—You therefore suggest that better attention should be paid for the financing of internal trade?

A.—Yes.

Q.—How do you say that the export trade is better financed?

A.—The fact that there are not sufficient local bankers to help internal trade and the presence of a number of banks including the Imperial Bank giving ample facilities for foreign trade are the obvious reasons. Besides there are various export merchants who go to the villages and advance money on standing crops to the agriculturists and thus finance export trade.

Q.—You therefore say that all that the villager does now is to take the advances on the crop and as soon as it is harvested, fix a price and deliver to the export trader? Is that so?

A.—Yes.

Q.—Who generally fixes the price? Is it the merchant who advances or the agriculturists themselves?

A.—It is done in both ways, but in most cases the merchant who advances money does it.

Q.—Do you not therefore think that the villager and the agriculturist is at a disadvantage and that it is therefore that you want a better financing system to be created for encouraging internal trade?

A.—Yes.

Q.—Who supports this internal trade now? Is it done more by the big capitalists such as exporters, or by the small capitalist banks like yours?

A.—I finance mostly merchants, but not the villagers. Big ryots in the village themselves sometimes finance internal trade. There are village money-lenders also.

Q.—Are you not getting any help from the joint-stock banks for the purpose of financing internal trade?

A.—I get a little help from the Imperial Bank only.

Q.—You are occasionally raising loans from the Imperial Bank and other joint stock banks. Do you in turn finance internal trade?

A.—Yes.

Q.—Is it your idea that this sort of financing should be developed?

A.—Yes.

Q.—Is it your desire that there should be a number of small banks like yours for the purpose of financing internal trade which should, in turn, get help from the Imperial and other joint-stock banks?

A.—If the Imperial Bank finance such banks at a cheap rate of interest, a number of small banks will come into existence.

Q.—What is the present rate of interest of the Imperial Bank?

A.—They lend to me at rates varying between 8 and 9 per cent.

Q.—At what rates do the National Bank and the Nadar Bank lend?

A.—The National Bank charges the same rate as the Imperial Bank, but the Nadar Bank charges between 9 and 12 per cent.

Q.—Do you not consider that the 8 per cent rate which the Imperial Bank charges you is a reasonable rate?

A.—They do not give me enough amount that I require. They give only 20 per cent of my estimated capital. If they were to give me 50 per cent of my estimated capital it would be more beneficial.

Q.—But are you not doing business with a number of other banks?

A.—I do business mostly with the Imperial Bank and the National Bank.

Q.—Do you get loans only up to 20 per cent of your capital from both these banks?

A.—The highest they give is only 20 per cent.

Q.—Have you got any suggestions to make for the development of this banking system and bring into existence a number of banks like yours and in turn get financial aid for them from the Imperial Bank and other joint-stock banks?

A.—I believe that a good number of capitalists will themselves come up to do banking business, if they get better facilities from the Imperial Bank. By better facilities I mean a lower rate of interest and sufficient amount for their requirements, at least 50 per cent of their estimated value. If this is done, a number of small banks will easily come into existence.

Q.—On what security are you getting this advance from the Imperial Bank?

A.—On my own personal security together with a second security.

Q.—You told me a little while ago that the Imperial Bank is charging 8 to 9 per cent and that you are charging 12 per cent?

A.—We charge from 9 to 12 per cent.

Q.—It is rather high for financing the internal trade. In what way can we bring down this high rate of interest the village agriculturist has to pay in the country?

A.—If the Imperial Bank were to give at a low rate I will be naturally inclined to give at a low rate of interest too. We can even put up some Government restrictions restricting the rate of interest.

Q.—Are there not money-lenders in the village?

A.—There are.

Q.—Who are the money-lenders?

A.—So many petty money-lenders.

Q.—Are there sowcars, Marwaris and Multanis?

A.—Yes, there are.

Q.—What rate of interest do they charge?

A.—18 to 50 per cent.

Q.—There are varying rates of interest?

A.—The indigenous bankers, Multanis and sowcars charge 18 to 50 per cent.

Q.—You are charging 12 per cent whereas the Imperial Bank charges only 9 per cent. Still you want more money in the country to finance the internal trade? How can you raise further amount?

A.—The rate of interest must be brought down. I can only suggest that Government should give loans at low rates.

Q.—Why do you look after for Government help? Cannot we ourselves start similar banks?

A.—The Government must start similar banks.

Q.—Why not people start themselves and ask for aid from outside? Do you not think that it would be better if more banks like yours were to come into existence which should form the link for financing with the Imperial Bank and other joint-stock banks?

A.—The indigenous bankers that are limited concerns is not given help by the Imperial Bank. As it is, the Nadar Bank which is a limited concern do not get help in any way from the Imperial Bank.

Q.—Why?

A.—They give me some amount but for a limited concern like that (Nadar Bank) which has got 3 lakhs paid-up capital and whose subscribed capital is 6 or 7 lakhs do not get any amount of credit from the Imperial Bank.

Q.—By way of remedy do you not think that by competition you can bring down the rate of interest by starting a large number of banks in the country?

A.—Yes.

Q.—The difficulty is with regard to the rate of interest which these agriculturists are paying. Do you not think that the only way is to create more competition amongst bankers themselves so that the system might bring down the rate of interest?

A.—Competition must be created.

Q.—Have you got any co-operative banks in this side? Village societies anywhere?

A.—I think there are some societies. I have no direct concern with them.

Q.—Are there money-lenders in the village?

A.—Yes.

Q.—Do you think apart from the low rate of interest the co-operative societies are charging the rate of interest of the money-lenders and the indigenous bankers in that locality has come down to some extent?

A.—At present it has not come down.

Q.—You therefore agree that the only way of bringing down the rate of interest and thus render further financial aid for the internal trade is to create competition by starting more banks?

A.—Yes.

Q.—Owing to the absence of similar banks in the village and town you find it difficult to send goods unless cash is paid down on the spot?

A.—Yes.

Q.—How do you make remittance to the interior? Suppose you have to remit money from this town. How is this done?

A.—We send them through hundis.

Q.—Are there bankers in the villages through whom you can pay it through or negotiate?

A.—Yes; we send it to them for collection.

Q.—In this part of the country do you use more hundis or bills of exchange?

A.—More of hundis.

Q.—What are the working hours for your bank?

A.—We work from 10 a.m. to 5 p.m.

Q.—You close exactly at five?

A.—Five or six.

Q.—Have you had at any time experienced these village people coming to take money from your bank after office hours?

A.—Many times they come after office hours.

Q.—What do you do then?

A.—Simply they have to wait for the next day. If it is an urgent case I have to attend and pay from my own timber office to their requirements.

Q.—Are there many such transactions in the course of a week?

A.—Only occasionally.

Q.—So the difficulty is not felt in this part of the country?

A.—No.

Q.—Are you financing the internal trade by drawing hundis? Or do you pay that man by opening an account in your banks? Which is more in practice?

A.—I open daily account with him.

Q.—What period you allow for the repayment?

A.—As it suits me and the merchants.

Q.—Thirty days, or sixty days or ninety days?

A.—Mostly it will be three months and over.

Q.—When a man wants a loan from you, you give him credit and keep a current account with him. You debit his current account in your books and then draw a hundi. Your difficulty is to get more money with which you can do more trade. For this transaction suppose you draw a hundi and take the hundi executed by him and get it re-discounted at a bank and use that money for your trade?

A.—I do it occasionally.

Q.—As a banker can you not develop that sort of business and rotate your money in the business much more quickly than keeping that open account for 120 days?

A.—But it will not suit all the local merchants to get money on hundis.

Q.—Why?

A.—Because it will be preferable for them to open a current account. If I were to draw a hundi they will have to pay on the ninetieth or one hundred and twentieth day. A man who has got a current account may pay on any day.

Q.—If that man is a man of credit you can get a hundi from him and raise a loan of at least 50 per cent from any bank and with that money you can carry on trade. Can you not therefore develop the hundi business in that way? You will have also more money to rotate in that business?

A.—I take hundis from them. I deposit it at the Imperial Bank or at the Nadar Bank and draw money for that hundi. The merchants here will not always be willing to draw money on hundis.

Q.—Because they are not habituated to it?

A.—Yes.

Q.—It is time for them to bring them up into a line by drawing hundis and discount that hundi with another bank and get more money for our business purposes?

A.—Yes; it will be advantageous and it must be developed.

Q.—Do you think that any further encouragement is needed for developing the hundi or bill business? Can you think of any method for developing hundi business?

A.—Now we have to pay more duty for hundis. The stamp duty should be lowered a little to encourage hundi business.

Q.—You also want facilities for discounting at a lower rate from other banks?

A.—Yes.

Q.—Do you draw those hundis in vernacular or in English?

A.—I do it in English.

Q.—Does the village agriculturist, who comes here sign the English hundis?

A.—They find out the amount written in figures and for the text, they simply believe in us and sign.

Q.—That sort of thing has been going on without any hitch?

A.—Yes.

Q.—Had you at any time occasion to send your hundis to other places for discounting in the district on account of the maximum limit allowed to you by banks?

A.—I keep it for myself.

Q.—Have you ever tried to do that business?

A.—No.

Q.—Have you experienced any difficulty in raising money on documents of title such as railway receipts?

A.—We give out money also on railway receipts.

Q.—Is there any system of giving loans on warehouse certificates?

A.—No.

Q.—You advance money on bills of lading?

A.—Yes.

Q.—On delivery orders?

A.—Yes.

Q.—On dock warrants?

A.—No.

Q.—Will it not facilitate business if bankers like you advance money on these documents?

A.—Yes; it will greatly facilitate business.

Q.—Have you had at any time trouble with regard to the advancing of money on railway receipts? As a banker do you experience any difficulty?

A.—I have not experienced any difficulty.

Q.—You know that the railway companies deliver the goods if the consignee executes an indemnity bond. Even though the bankers have got a lien upon it they cannot stop it. There have been difficulties between the railway company, the port trust and the bank on goods which have been delivered. Do you know whether the bankers have felt difficulties?

A.—Yes.

Q.—The railway companies should take care that the banks' lien on the goods should be registered on intimation and that the goods should not be delivered until the banks' claims are settled?

A.—Yes; it will be a great help.

The Chairman: You are aware of what the Chamber has said of the investing habit? Do you agree with that view? Is that your opinion?

A.—Yes.

Q.—Can you give me an indication as to how much amount is invested in gold and silver?

A.—A very large amount.

Q.—What is the indication of this?

A.—They do not deposit. They have no idea of putting their capital in some banks. As a safeguard they put it in jewels or in gold and silver.

Q.—It would be more profitable for them to put it in Savings Banks?

A.—Yes.

Q.—Deposits in the banks are steadily increasing?

A.—Yes. Deposits in gold and silver are decreasing. They have got good facilities to deposit in the banks. Whenever they deposit with small merchants they lose mostly.

Mr. Gopala Menon: Wherefrom does gold and silver come?

A.—It is imported into the country.

Q.—What does this represent?

A.—It means that people have to get money from foreign countries.

Q.—Is it for the goods that we have sent to them as payment?

A.—We export a large number of products and we get them in gold and silver.

Q.—Is there any way, by which we could bring this money except by means of gold and silver? We always send more goods than we buy from foreign countries. It is a great problem for us?

A.—Yes.

Q.—How can we stop this gold and silver going to the melting pot? As a banker can you suggest any means by which this could be avoided?

A.—The people must naturally be taught to deposit their money in sound banks instead of putting it in gold and silver.

Q.—You are a practical banker. Have you got any suggestion for the economic improvement of the country? We are all crying for industrial developments and things like that?

A.—Instead of bringing in gold sovereigns, we can bring other materials and machineries.

Q.—Our great problem is to help the Indian firm. Can you suggest any way by which the people in the country can utilize this gold and silver for the improvement of the Indian firm?

A.—By importing all these materials instead of cashing it. We can bring all kinds of machineries so that we might convert the raw produce in the country which the agriculturist in the country is manufacturing and trying to put into other shape.

Q.—That is the only way by which the economic salvation could be reached?

A.—Yes. Importing of silver and gold will naturally go down.

Q.—It is for the people themselves to stop this. We must advise them for developing banking habits and try to improve the industrial development of this country?

A.—Yes.

Mr. Hameed Sultan Maricair: You say you are a money-lender yourself?

A.—Yes.

Q.—Have you got any idea of how the small merchants are financed?

A.—They receive loans from money-lenders.

Q.—At what rate?

A.—9 to 12 per cent.

Q.—How long?

A.—From three to six months.

Q.—So it is rather rotating?

A.—Yes.

Q.—What is the capital of each?

A.—It may range from Rs. 1,000 to 10,000.

Q.—What about the small shop-keepers?

A.—Thousand rupees.

Q.—They have no dealings with any of the banks?

A.—Only big merchants have got dealings with the banks.

Q.—Do they find any difficulty in the transaction of their business?

A.—They find it inconvenient to pay a high rate of interest.

Q.—Do they deal with any of the Marwaris, Multanis or Nattukottai Chettis?

A.—Yes; smaller merchants have got dealings with them.

Q.—You say that they pay 50 per cent on kandu system?

A.—They take a pro-note for Rs. 100 and pay only ninety rupees and they get back at the rate of one rupee per day for the 100 consecutive days.

Q.—In your calculation it works about to 50 per cent?

A.—Yes.

The Chairman: Who does this? The Multanis or the Marwaris?

A.—There are some Chetti firms. The Arabs and Punjabis also do in the same manner.

Mr. Maricair: Are you advancing money to the retail merchants?

A.—I finance a great number of them but not the smaller merchants.

Q.—What is your rate of interest?

A.—9 to 12 per cent.

Mr. Thomas: Where does the imported rice come from?

A.—Rangoon, Bombay and Karachi.

Q.—Is not rice raised in large quantities in Tinnevely?

A.—Yes.

Q.—Is it not brought to Tuticorin?

A.—It is not brought to Tuticorin.

Q.—Where is it marketed, then?

A.—It is marketed in all the local places. That is not sufficient for the use of the district. Tuticorin supplies for the southern part of the Presidency.

Q.—That probably goes to other districts?

A.—The rice that comes from Rangoon is supplied to the people in Tinnevely and Ramnad districts.

Q.—Where is the paddy produced in the Tambraparni valley marketed?

A.—I cannot say.

Q.—Do the agents of grain merchants go into the interior to collect paddy?

A.—Generally they do not.

Q.—Who are the professional money-lenders here?

A.—Some local bankers like myself and one or two Brahmans and Chettis.

Q.—Brahmans from Kalladakurichi?

A.—Yes.

Q.—Have you any information of the marketing of cotton?

A.—The local merchants here buy it from all the agriculturists.

Q.—Do they go to the village and there buy?

A.—They send their agents.

Q.—Do they advance to the ryots?

A.—They make advances to the ryots.

Q.—Do they make advances before the crops are harvested?

A.—Seeds are given to them. The cotton merchants themselves have got seeds and they sell them.

Q.—The foreign firms import the seed and merchants send it to the villages?

A.—Yes.

Q.—Do you know the terms on which these advances are given? Are they given at a high rate of interest?

A.—From 12 to 18 per cent and they take some commission on the produce for having advanced.

Q.—What is the commission charged for the sale of the produce?

A.—They may take from 5 to 10 per cent.

Q.—Are they not commission agents, or are they purchasing on their own account?

A.—They purchase themselves and they act as brokers as well.

Q.—The conditions of marketing are unfavourable to the cultivator?

A.—Yes.

Q.—The commission charged by them is high?

A.—Yes.

Q.—Is there any co-operative society for marketing purposes?

A.—No.

Q.—Have you got dealings with the village people?

A.—Only to a very small extent.

Q.—Have you any information about the export trade of Tuticorin with Ceylon?

A.—No.

Q.—Who manages that trade?

A.—It is the Indian merchants here.

Q.—They collect the goods from all over the district and send them to Colombo?

A.—Yes.

Q.—What class of merchants are they?

A.—In Tuticorin there are a large number of Nadar people and also Vellalas.

Q.—Are they the agents of the Ceylon firms or independent firms having agencies at Colombo?

A.—They have their own agencies in Ceylon.

Q.—What are the terms of your loan transactions? At what rates of interest do you lend?

A.—From 9 to 12 per cent per annum.

Q.—In what way do you fix the rate?

A.—During times when I have got large sums of money idle I charge a lower rate of interest.

Q.—So it is according to the demand?

A.—Yes.

Q.—Not according to the security offered by the borrower?

A.—Not according to the security.

Q.—You lend on single signature?

A.—Yes.

Q.—You have not found any difficulty in recovery?

A.—No, I have not found any difficulty.

Q.—Do you think that the joint-stock banks are much too cautious in insisting on joint signature?

A.—Yes, the merchants find it a hardship.

Q.—What are the chits you were speaking of? Are they auction chits or prize chits?

A.—Both.

Q.—What is the amount of the largest chit known to you?

A.—Nearly Rs. 1,000.

Q.—And the prize?

A.—The total amount may be Rs. 12,000.

Q.—How many subscribers?

A.—Nearly 200.

Q.—What class of people join these chits?

A.—All classes of people and people of all communities.

Q.—Shop-keepers also?

A.—Yes.

Q.—What about prize chits? What kind of prize chits have you got here?

A.—That system of chits also we have.

Q.—Do you know of any corrupt practices prevailing in these chits?

A.—I have no experience of them.

(The witness then withdrew.)

Sunday, 2nd February 1930.
TUTICORIN.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. M. C. MUTHUKUMARASWAMI PILLAI Avargal,
Merchant and Commission Agent, Director, The Tinnevely
District Permanent Fund, Limited, Ex-President, Indian
Chamber of Commerce, Limited, and Member, Tuticorin Port
Trust.

(NOTE.—The witness presented the following memorandum of written evidence to the Committee.)

I am a merchant of this locality and I continue my ancestral business for the past nine years. We have been merchants for a long time past. We have both export and import business besides commission business. We have branches at Colombo and Tuticorin and deal in onions, oil-cakes, chillies, besides exporting into Colombo potatoes from Naples, Marseilles, Malta and Bangalore; chillies from Calcutta; coriander, sugar and other such commodities from various parts. We also deal in rice on a large scale.

2. For our abovesaid trade, we have invested a capital of Rs. 75,000 in addition to a borrowed capital of about the same sum. From this it cannot be inferred that merchants here trade with sufficient capital or with a borrowed capital in decent proportions with their actual investments. There are plenty of merchants who trade with a capital, not worthy of being called so; and there are many more whose actual investments and borrowed capital stand in the ratio of 1 to 10. So, trade here to a large extent, is dependent on the money lent to them and on the banking facilities afforded to them.

3. *Banking facilities to merchants.*—True, this port is not in dearth of bankers, both joint-stock, foreign and indigenous. There are the branches of the Imperial and National Banks in addition to the South India Bank and the Nadar Bank. There are numerous other indigenous banks who deal mostly in hundis. But it must be confessed that all these do not satisfy adequately the needs of the merchants for the following reasons:—

A. Disabilities of the Imperial and other foreign joint-stock banks—

(i) Merchants, especially ordinary merchants have no free and easy access to these banks. The conditions imposed on them to raise a loan are not at all suitable to their peculiar needs. Further these people feel worried at even the many formalities.

(ii) These banks generally prefer joint signatures even to giving security by merchants; but these merchants as a rule do not at all like the joint signature system; for it is very difficult for a merchant to get the signature of his co-merchant. Though in normal days, there may not be much difficulty yet in critical times they fail their obligees.

(iii) There is a clear preference to European merchants by these banks and even among Indian merchants, exporters to Europe are favoured next. Inland traders, however rich and honest they may be, are looked upon with suspicion. The bank limits allowed to them are very low. Indian merchants feel this much and resent it also.

(iv) The interest allowed by these banks to current deposits is very meagre and that is not conducive to have a mutual open current account. Indigenous bankers allow 9 to 12 per cent even on these current deposits.

(v) Lastly, these branches of the Imperial and other foreign banks are not able to understand the local needs. They cannot know well the status of the different merchants and also the nature of the several trades. On the other hand,

B. The disabilities of indigenous bankers are: (i) Their scope is limited and they have not capital enough to actively help big traders.

(ii) Further their overvigilance to guard their interests prove a thorn in the sides of merchants. Even a slight rumour of loss is sufficient to disturb their mental equilibrium and they will insist upon immediate payment and thus precipitate matters to a crisis. Merchants failing thus is a common feature.

4. It is these particulars, among indigenous bankers, Nattukottai Chettis are preferred. They are able. They do give large sums and allow a large latitude and further their suspicions are not easily roused especially with regard to longstanding customers. It is why merchants prefer them and do not grudge paying them even 15 and 18 per cent interest.

5. In the light of the abovementioned particulars, I submit the following suggestions:—

(i) Creation of more Indian joint-stock banks with no branches or with only one or two branches in places where the trade of the locality is intimately connected—say, a bank at Tuticorin with a branch at Colombo. This must inevitably put a check upon the Imperial and other foreign exchange banks opening new branches.

(ii) Amendment of the Transfer of Property Act so as to include all commercial town like Tuticorin, for the purpose of creating equitable mortgages by deposit of title deeds alone. (The advantages of this are manifold. Even lands and buildings assume the position of movables and thus can easily be pledged. This will even put a stop to the practice of investing large amounts in gold and silver by merchants with a view that it will be of immense use in times of emergencies when it can be utilised to raise ready cash. Further, this to some extent increases the property income and thereby its valuation. For example, on my buildings in Colombo worth about a lakh of rupees, I am able to raise Rs. 75,000 by equitably mortgaging them at 6 per cent interest and at times even less, which I can further utilise in money-lending at 12 per cent interest and thus earn an extra income, apart from the rent I get from them.)

(iii) Abolition of joint signatures and, if necessary, to introduce in its place the system of depositing other promissory notes executed in favour of these merchants as additional security.

(iv) The withdrawal of Government preference to the Imperial Bank. Government must lend its helping hand to Indian joint-stock companies rather than reserving its all, for its pet child, the Imperial Bank.

(v) Banks must be persuaded to grant loans only on imported and exported goods; otherwise, there is scope for capitalless traders to speculate and thus spoil trade.

6. *Agriculture.*—The fate of agriculturists is in the hands of money-lenders. Of late, their expenses have increased by many folds while their incomes are static if not declining. Hence, some of them run into debts even in meeting their household expenses while others are not able to save enough to make permanent improvements or to be of use during failure of monsoon or on marriage occasions. Here is a case, the actual facts of which will indicate clearly the woeful state of agriculturists. One of my debtors with wet lands comprising 100 acres and dry lands of the same extent besides other properties which yielded an annual income of about Rs. 2,000 a year, was not able to discharge a debt of Rs. 9,000 in 15 years. My debt itself has now swelled to Rs. 24,000, while the revenue payable comes to about Rs. 4,000. He was not able to keep the big tank that feeds these fields well, for to make that improvement he has no money. The yield is decreasing, season after season, and it will not be a surprise if all these vast areas in their present conditions—nanjas white with salt, white salt pans green with grass—when sold will not fetch even half the debt amount.

7. In a country where over 75 per cent are agriculturists, it is a tragedy that the Government is indifferent towards them. Recently, the co-operative movement has begun to allieviate the sufferings of these unfortunates but there is a long way yet. To be effective, there must be no village without a co-operative bank. I understand that is the aim of the Government also. But when? is the question. Is it to be when there is ample surplus in the hands of the Government after satisfying its Imperialistic designs? The need is urgent and the Government of the country, if it cares for the welfare of its citizens, must concentrate its immediate attention on this.

8. Needless to say the non-officials also have a duty to perform in this connection. They must co-operate with the Government to make co-operative movement a success. Chits, nidhis and permanent funds on modest lines must be started and encouraged on a wide scale. Here, in Tuticorin, we have the Tinnevely District Permanent Fund, Limited, of which I am one of the directors. We give loans to members on pledge of jewels and also on mortgages at 9 per cent interest; and there are facilities for repaying the loan easily in a number of instalments. There are also facilities for poor and middlemen to invest their savings on advantageous terms.

9. *Hand-spinning*.—Cotton is grown abundantly here and naturally foreigners crowd here with their ginning factories and mills. Recently, the All-Indian Spinners' Association under the able guidance of Mahatma Gandhi have begun their operations with Palamcottah as their head office in the district. Production centres have been opened at Thisayanvilai, Thenthiruperi, Earl and other places, where hand-spinning is made the chief supplementary occupations to the agriculturists. Even in the first year of their attempts, they have produced khaddar cloth worth Rs. 30,000 and in 1930 they hope to increase it at least to a lakh. Their experts, who recently toured in these parts, opined that there are ample opportunities for this cottage industry as the supplementary occupation to the villagers and that the production can be very easily increased to 10 lakhs before 1935.

10. The Government completely ignores this very important and vital need, peculiarly suited to the genius and temperament of Indian villagers, perhaps due to the political colour which hand-spinning has assumed. But, on that score, it cannot be callous to the vital needs of the millions of agriculturists; and the co-operative department is best fitted to advance this cottage industry. Co-operative societies like the one at Vizianagram where spinners, weavers and purchasers are members, must with advantage be started in all places where cotton is grown abundantly.

11. If these are done, modern banking will be perfect. As it is, the essence of banking seems to be money-lending. True banking consists in linking together production of wealth, saving of wealth and then money-lending. In a country where the average income per head is less than two annas, the majority is without food. So, ample avenues for production of wealth must be found. Then only can the question of saving arise. Co-operative societies' encouragement of hand-spinning through them satisfy to a considerable extent all these, but these have to be enlarged on a wider scale before India can be called prosperous.

Oral evidence.

Mr. Thomas: You are a merchant and commission agent?

A.—Yes.

Q.—Is your business chiefly in Tuticorin?

A.—In Tuticorin and Colombo.

Q.—Your principal office is in Tuticorin?

A.—Yes.

Q.—And in Colombo you have only a branch?

A.—Yes.

Q.—And your business is chiefly importing and exporting between India and Ceylon?

A.—Yes.

Q.—You state in your memorandum that people who are dealing with the Imperial Bank and the foreign exchange banks here are under certain disabilities. You say that there is no free access to these banks. What do you mean by it?

A.—Generally we are not able to approach the agents of the banks and easily talk to them and make them believe our statements.

Q.—Is it possible that bankers who are interested in extending their business will be discourteous to their clients? You are perhaps referring to the formalities involved in having dealings with those banks?

A.—Yes.

Q.—And the insistence on joint signatures?

A.—Before an account is opened they write to two or three merchants and get information about the person for whom they are going to open an account.

Q.—Is it not because the bank does not know the true financial position of the merchant?

A.—Yes, they do not understand the merchants properly.

Q.—Nor have they in this country any ready means of assessing the financial position of the various businessmen?

A.—Yes.

Q.—You say that there is a clear preference shown to the European merchants? Is it not rather due to the fact that their business is better known to the bank than the Indian merchants?

A.—Yes, that may be the reason.

Q.—Can you suggest any means whereby Indian merchants and businessmen could get more and more into touch with joint-stock banks? Is the sort of security offered by them sufficiently reliable? I suggest that it is chiefly because we are not handling proper trade bills in this country?

A.—We are not able to do the business as European merchants do with regard to bills of lading and other exchange bills.

Q.—Therefore you want more facilities to create these documents?

A.—Yes.

The Chairman: What sort of facilities do you require?

A.—We want more facilities to create bills of lading and such-like documents. Even then if we give our bills of lading money is not advanced to us as it is done to European merchants.

Q.—That is because you do not command the same credit?

A.—Even to the extent of the credit we have, they do not do that business. Suppose I have a credit of Rs. 10,000 and I give them a bill of lading they do not advance money on that?

Q.—Why?

A.—Because they want joint signature.

Q.—Why?

A.—I do not know the reason.

Mr. Thomas: Joint signatures are wanted only for loans. When an advance is raised on a commercial bill which has at the back of it a genuine trade transaction, such inconveniences do not arise?

A.—No.

Q.—You have said in your memorandum that the indigenous bankers allow 9 to 12 per cent interest even on current deposits. Where are such high rates of interest available?

A.—The local bankers here allow 9 per cent interest on current deposits; e.g., our vice-president here who gave evidence this morning allows us 9 per cent interest on current deposits and we give him 12 per cent interest on overdrafts.

Q.—What is the rate of interest at which such bankers lend out money?

A.—15 to 18 per cent interest. They will be getting a margin of 3 to 6 per cent.

Q.—Do you think such banks are reliable and conducive to stable banking development?

A.—The banker does it in a businesslike way and I am satisfied that the bank is prosperous.

Q.—You say that the Nattukottai Chettis though they charge a slightly higher rate of interest allow a large latitude and further that their suspicions are not easily roused especially with regard to longstanding customers. In regard to that is it necessarily an advantage to the customer unless it also means no penalty interest or even compound interest?

A.—The Nattukottai Chettis are near us and they understand the nature of our business well and on learning that our business is well conducted and is prospering they advance money to us easily and allow us a large margin.

Q.—In the case of persons whose business is sound there are certainly ample means of getting accommodation?

A.—Yes, but not to the extent they desire.

Q.—In the case of those people whose business is not going on well, is it an advantage to allow them a large latitude?

A.—For such people it is not good to allow a free latitude.

Q.—Do you think it will be to the interest of any banker to ruin a customer by calling for an immediate payment of all his overdrafts? You say even a slight rumour of loss will rouse suspicions in the banks and they will demand their money and thus precipitate a crisis. It is not to the interest of the banker to precipitate a crisis in that way, is it?

A.—It is not to the interest of the banker to ruin his customer, but it is due to the interest he has for himself to realize at once the money which he has advanced.

Q.—You say the Government is indifferent to agriculture? Is it a fair account of the Government's attitude towards agriculture?

A.—Yes, the agriculturist has no facilities to get money easily and at low rates of interest.

Q.—Is it not in their interest that co-operative societies have been organised and land mortgage banks being established? And what about takavi loans, and the many sided propaganda of the Agricultural department?

A.—Yes, but not to the extent they desire.

Q.—Do you not think that the statement you have made is too sweeping?

A.—I agree that the establishment of land mortgage banks will be of use to the agriculturists but what I mean is that if such things are done on a large scale then it will be of greater help.

Q.—Now whose fault is it that the co-operative movement is not growing fast? Is it the fault of Government or of the people? If many co-operative societies are defunct, it is due to the peoples' lack of interest, is it not?

A.—There is no legislation in India with regard to compulsory education and only the educated classes can realize the value of co-operation. If there is compulsory primary education at least in India and if all people are able to understand the benefits of the co-operative movement then it will be developed to a great extent.

Q.—But Government is doing it?

A.—Yes. Recently in Tuticorin and in Tinnevely they opened some co-operative societies and also in Pudunagaram near Tuticorin and there the people have received large sums of money at low rates of interest and have benefited to a great extent.

Q.—So, until now it was the fault of the local people?

A.—Not of the local people.

Q.—What then? The Co-operative Societies Act was passed sometimes in 1904 and extended in 1912. What was in the way of the people utilizing this?

A.—The public were not aware of the existence of these for a long time.

Q.—You mean that there was a lack of propaganda?

A.—Yes.

Q.—But an extensive propaganda means extensive funds. That means heavy taxation. Would this country have borne such burdens, had Government took it upon itself to impose them?

A.—Still I say the fault is partly of the people, but the Government also is to blame.

Q.—The point is, in most western countries, Government depended on private initiative for such developments, and in this country, Government had to learn by bitter experience that private initiative is not effective.

A.—Yes.

Q.—In the memorandum of the Tuticorin Chamber of Commerce, of which you were Chairman, it is said that the present depression in trade is due to the rise in the exchange ratio. Are you quite sure of that? There is a world wide depression in trade to-day; would you impute it all to the exchange ratio?

A.—Mostly, we can attribute it to that cause, due to the fact that the ratio is 18 pence.

Q.—The point is this, you have said that it was an artificial increase. But at the time it was fixed at 18 pence, the actual exchange was nearly the same. It was not artificially raised to suit a lower level established statutorily?

A.—It may be so.

Q.—Would you rather say that the exchange ratio has aggravated the present slump?

A.—It is the chief cause of it.

Q.—Very well, we will leave at that. You speak of a lack of co-ordination among the various credit agencies. What co-ordination do you mean? Probably you mean that the indigenous bankers have not been linked up with the larger money market?

A.—Yes.

Q.—You state that large amounts of gold and silver go to the melting pot and heavy stocks of ready money are locked up without finding employment. If it is so it must really be the lack of mobilization of our savings that is the cause of our lack of capital and the high rates of interest?

A.—I think so.

Q.—What is the Chamber of Commerce doing in order to wean the country from that bad habit?

A.—We have not begun doing anything.

Q.—Can you tell me how the cotton is marketed in the district through the various stages from the ryot to the commission agent and from the commission agent to the mills?

A.—The ryot gets hold of a broker who takes him to a commission firm and through that commission firm they approach a cotton merchant. This cotton merchant gives the cotton or sells it to the ginning factories and other foreign merchants who are here.

Q.—Does the commission agent does advance money to the ryots?

A.—They do advance to the ryots.

Q.—At what rates of interest?

A.—They are advancing at 18 per cent interest and when the goods are sold they also receive a commission. The average commission is Rs. 2 or Rs. 2-8-0 for every 500 lb.

Q.—What will be the price, then?

A.—Rs. 120 nearly.

Q.—How is cotton marketed in Tuticorin? Is it by auction as they do rubber in Ceylon?

A.—No, it is not by auction. The merchant sells it to the foreign merchants here. The current price is quoted by the foreign merchants and according to that price the merchant books so many bales.

Q.—What foreign merchants?

A.—Those merchants who are exporting raw cotton to foreign countries.

Q.—Do you think that marketing is now going on to the advantage of the ryot or is there much loss resulting from the present system?

A.—According to the present system there is much loss to the ryot.

Q.—Have you considered how best we could avoid that loss?

A.—If we can advance to the ryot sufficient money for cultivation expenses, then he need not go to the commission agents, but they can come direct to the merchants to sell the produce. Then they will be able to get a better price for the produce.

The Chairman: How will they get a better price if they take it direct to the merchants?

A.—Now they are paying a commission of 3 per cent to the commission agent and that amount they can save.

Q.—So they will be able to save 3 per cent.

A.—Yes.

Q.—That commission rate is very high?

A.—Yes.

Mr. Thomas: Who will then give the advance? The commission agents are now giving it, but if they are not there who will give?

A.—The indigenous bankers can lend the money and take as security the produce.

Q.—Are you aware of co-operative societies being capable of doing that work? I mean co-operative sale societies?

A.—They are doing it but only on a very small scale.

Q.—Can you not extend their activities?

A.—By propaganda it can be done, by educating the people as to its benefits and opening more societies in the interior parts.

Q.—You speak of starting joint-stock banks; why are not joint-stock banks of the right type arising? We have got indigenous bankers; why not they combine and start big joint stock banks?

A.—There is competition and they will not be able to thrive well. If the Government will assist them as they do the Imperial Bank, then these banks will thrive well.

Q.—The Government places its cash balances with the Imperial Bank because it must have it at call or short notice. The indigenous bankers often carry on speculative transactions and some even lock up their money in land. How can the Government place their funds with such banks?

A.—Yes.

Mr. Gopala Menon: You say that the present financial facilities are meagre. What extra facilities do you want to encourage the trade of the country? What was your authority in saying that the present financial facilities are meagre?

A.—I have stated that we are not able to get money easily from the banks.

Q.—But first of all I want to know the present financial capacity of the district and what extra facilities you want. What are the chief articles which are exported and what are the commodities that are produced in the country?

A.—In this country we have got cotton and to Colombo we export all the curry stuff.

Q.—Which is the most important thing?

A.—It is cotton only.

Q.—Do you export rice?

A.—We do not.

Q.—Any jaggery?

A.—We do not.

Q.—You have got palmyrah trees which yield jaggery, sugar and other produce. That is an important commodity here, is it not?

A.—Yes, but that is not exported to foreign ports.

Q.—What is done with the jaggery here?

A.—All these things are converted into sugar and other things and sent into the interior parts.

Q.—Is not the Tinnevely district a big rice yielding district?

A.—Yes.

Q.—Is all the rice produced here consumed in the district itself or is any portion exported to other places?

A.—It is consumed here alone and we have even to import.

Q.—You say that the chief article of export is cotton?

A.—Yes.

Q.—But there are three cotton mills. Have you got an extra quantity for export besides what is consumed by the cotton mills?

A.—Yes.

Q.—I understand that one of the mills has got a very large number of spindles. Is it true?

A.—Yes.

Q.—Can you give the figures regarding their working?

A.—I cannot.

Q.—You have invested a capital of Rs. 75,000 and in addition to that you have also borrowed. At what per cent have you borrowed?

A.—From 6 to 9 per cent.

Mr. Thomas: Is it borrowed in India or in Ceylon?

A.—In India as well as in Ceylon.

Mr. V. Hameed Sultan Maricar: In Ceylon do you borrow from the Nattukottai Chettis?

A.—Not from the Nattukottai Chettis. We have got our properties there.

Mr. Thomas: Would you rather borrow in Ceylon than in India?

A.—I would like to borrow only in Ceylon, on the equitable mortgage system.

Mr. Gopala Menon: You say that the trade is dependent on the money lent to them and the banking facilities afforded to them. Do you mean the internal trade or the external trade?

A.—The internal trade.

Q.—You say also that there is no dearth of bankers in this district?

A.—I mean in this town.

Q.—What is the usual rate of interest charged by bankers in the town?

A.—The indigenous bankers charge 12 per cent.

Q.—Do the other banks charge below that?

A.—Yes.

Q.—Do you consider that 12 per cent is a reasonable rate of interest for the reason that they are running a risk?

A.—Yes. It can be said to be high only by a very little.

Q.—What I want to know is in spite of the fact that there are a number of banks the rate of interest has not come down as a result of the competition between them?

A.—The Imperial Bank of course gives money to a selected few, namely the first class merchants of the town and they do not go to the indigenous bankers because they get their credit from the Imperial Bank at a very low rate of interest and of course those who want money, the third class merchants come and pay high rates. The indigenous bankers and generally all the banks have got demand because the three or four classes of merchants or people borrow money according to their merits for lower or higher rates of interest.

Q.—You say the joint-stock banks, and the Imperial Bank are not aiding the Indian trade to the extent it should. Is it not?

A.—Yes.

Q.—The financing of external trade depends to a very large extent on the local knowledge that they possess?

A.—Yes.

Q.—The indigenous bankers do possess that knowledge and they go into the interior?

A.—Yes.

Q.—Is it not the duty of the indigenous bankers when they get sufficient funds to finance the internal trade and in turn to ask for help from the other bigger banks?

A.—Yes, they are doing that.

Q.—Why do you then say that the Imperial Bank and the joint-stock banks are not rendering sufficient help to the small traders?

A.—The indigenous bankers have not got sufficient help but they get their credit from the Imperial Bank and from other banks to a very limited extent.

Q.—At the same time you say that there is plenty of money invested in jewellery. Why not you divert the money which they are investing in jewellery into banks and thus command your capital in order to help the banking facilities in the country?

A.—Those who understand the banking facilities are turning their silver and gold into liquid money and are depositing it in the banks. But the people who are not able to approach these banks when they want readily to raise money are able to do by means of pledging the jewels.

Q.—Do you admit that in the interior it is far better that the financing is done by small bankers like the South Indian Bank here who have got a better knowledge of the locality and who might be able to make sufficient profit on the capital invested than asking a branch of the Imperial Bank or a joint-stock bank to be started there? Which do you think is better, the small indigenous bank or the branch of the Imperial Bank or a branch of the joint-stock bank?

A.—Local banks would be better.

Q.—Do you think that it would be more difficult for a branch of the Imperial Bank or the joint-stock bank to attract sufficient capital to warrant their going and starting a branch in the interior.

A.—It will be really very difficult.

Q.—So you admit that it is better that we develop small banks of our own for the purpose of increasing the facilities for internal trade?

A.—Yes.

Q.—You say that in regard to the joint-stock banks and the Imperial Bank people get worried at the formalities that they have to undergo. What are the formalities that the Imperial Bank and the other joint-stock banks require the customer to go through other than an ordinary bank which requires some formalities to be observed before it gives money?

A.—They want double signatures. Again in cheques and all other things they do not allow a man to sign in the vernacular. Before signing he must go to the bank agent in person and must sign every cheque if he wants. Again before opening accounts they will enquire so many people and they will get the information from the cashier and if the man who wants the money does not get the favour of the cashier he is not allowed the credit by the bank. There are also other things which stand in the way of the illiterate man from approaching the indigenous bankers.

Q.—Do you think that a man who cannot read and write can open an account in a bank like the Imperial Bank or the National Bank?

A.—There are so many merchants who are doing a large business without being able to put their signatures in English.

Q.—In what way do you want to minimise these formalities?

A.—By putting in the bank local persons who are well acquainted with the merchants.

Q.—Suppose you start a bank in a small place. Would you not go through these formalities, making enquiries of a customer who is asking for a loan?

A.—Yes.

Q.—Certainly any enquiries that a banker makes is strictly confidential?

A.—Yes, but they do not take care to do all those things.

The Chairman: But your complaint was that they take the trouble to enquire?

A.—They do not make any confidential enquiries in regard to the smaller merchants. It is only with regard to the first-class merchants that they make any enquiries.

Mr. Gopala Menon: Can you quote an instance of a small banker who on going to the Imperial Bank to open banking account was refused accommodation?

A.—There are a number of small merchants who had been refused accommodation.

The Chairman: Is it because they are unstable?

A.—No.

Mr. Gopala Menon: Probably the enquiries made by them might not have been favourable to the small traders you have now in view? All that I can say that every banker is expected to make enquiries of a customer and after being satisfied that he can be a fit constituent to entertain relationship with him. Do you not think so?

A.—Yes.

The Chairman: You are suggesting that the Imperial Bank is refusing to do business?

A.—I do not say that. On the other hand they want to do business on a very large scale.

Q.—You say that they do not accept the clients?

A.—They want only the first-class merchants and they do not encourage the small merchants.

Q.—You say that the merchants are constantly failing?

A.—In that connection I had another idea. The local indigenous bankers who advance money to the small merchants would have converted their liquid money into stocks suppose. Then suddenly as these bankers come and press the merchants to pay the small merchants are in need of money to

pay off their money at once and finding they are unable to do so at such a short notice fail in their business.

Mr. Gopala Menon: You say that in the opinion of the bank that if a certain person has borrowed to the hilt from the indigenous bank, he is not entitled to have business transactions with them. Is it not so?

A.—No, No. It is only after ascertaining that these banks do not afford him facilities that he is forced to go to the indigenous bankers.

Q.—Can you quote any instance where a man who had sufficient security was refused accommodation? The banker's business is to find out whether the dealings with a constituent would be safe and it is only when he is satisfied in regard to that that he will open business transactions with him. That anybody will do. Is that not so?

A.—Generally the people feel afraid of the formalities because they are not able to understand and so they do not go to the bank saying 'why should we bother ourselves with such things?'

Q.—Then it is not the bank's fault?

A.—No, it is not to that extent.

Q.—It is said that the Imperial Bank is showing a preference to European merchants and also to the Indian merchants who are exporters to Europe. What is the special preference you refer to?

A.—It is only in regard to lending money.

Q.—On what?

A.—On goods. Here generally the banks grant open loans to European merchants and the people who are dealing in foreign export trade.

Q.—Even to the Indians?

A.—To some Indian merchants.

Q.—They do not make any distinction to that extent between the European merchant and the Indian merchant?

A.—They give to all European merchants but only to a few Indians and that too not to the same extent.

Q.—Do you know that in the case of these Europeans the credit starts from the head office of the firm from which these bankers receive directions. That is mostly done in the case of export business?

A.—It is only done in the case of export business.

Q.—In the case of export business are you not aware that the importing firm in a foreign country creates an export credit on the other side?

A.—For open loan also.

Q.—Do you know how this export business is done generally? Even Indian export merchants have got credit created through the exchange banks and it is against that credit that they ship the goods. Is that not so?

A.—They get their credit in that way. For example in my case, I export senna leaves to America and Sweden. I am able to store the leaves in my godown and get the credit on the strength of that. But the ordinary merchants do not get that facility.

Q.—Is it not probably be due to the fact that in the opinion of the banker you are a better customer than the smaller merchants?

A.—But there are better people than myself who are not able to get money from the bank.

Q.—Why?

A.—Because these bankers think that they are not able to do their business in safe way.

Q.—Have you got an export credit from the firm to whom you are exporting and is that not intimated to the banker here?

A.—I do not have the credit formally. I ship the goods first and then I get a letter of credit.

Q.—Is that raised by the foreign firm?

A.—Yes.

Q.—That means that the banker who advances is guaranteed by that letter of credit?

A.—Even before that, I purchase the goods and stock them. As soon as I do that I am able to get Rs. 8,000 from the National Bank. It is only after that that the letter of credit comes.

Q.—Is not your letter of credit granted by the foreign firm a running one?

A.—No. At times I send 100 bales or 200.

Q.—Along with their letter of credit do they not say that they have raised credit for you in the National Bank or any other bank?

A.—Yes.

Q.—So your bank knows the credit that has been raised on your behalf?

A.—It is only after I get the credit and I have sent the goods that I get the letter of credit and the bank gets the intimation.

Q.—I want to know whether any exporter has approached the bank with the letter of credit and has been refused credit?

A.—I cannot give you specific instances.

Q.—In your opinion it is only those people who wanted to ship on their own account to a foreign firm that has been declined accommodation because no intimation has been received by the bank from the foreign warehouses?

A.—They do not send it on consignment business.

Q.—I do not see any reason why they should refuse accommodation to the other merchants if they follow your methods.

A.—I do not know.

Q.—You say that there is a preference shown to European merchants. Do you know that a banker will always insist on some sort of security for the money he advances either here or on the other side and that the banker's rules are very strict?

A.—Yes.

Q.—So, if anybody had failed to receive accommodation do you not think that it is because he has not been able to comply with the terms of the banker?

A.—Yes.

Q.—But instead of a small merchant going to a big exporter, why not they go to the small bankers here and raise credit there?

A.—That is what they are doing.

Q.—For a small merchant do you not think that it will be far better that the money is raised through a small banker whose financial facilities are better known to him?

A.—Yes.

Q.—Do you not think that it would be better that business is developed on those lines?

A.—Yes.

Mr. Thomas: Will the terms of the small banker be so favourable as those of the big banker?

A.—It will be 2 or 3 per cent higher than the rate charged by the Imperial Bank.

Mr. Gopala Menon: Do you not think that when a man's capital is a small he will generally have to pay a higher rate of interest?

A.—Yes.

Q.—You agree with the view that it is necessary for a small man to pay a higher rate of interest than a big man. Are you quite convinced that these people are not getting facilities now because they are not getting a letter of credit?

A.—Yes.

Q.—Then what is the point that you are urging in your memorandum?

A.—If you encourage our local indigenous bankers, these people will be able to get more money at a very low rate of interest.

Q.—What I want to find out is whether the Indian merchants have been denied the facilities that the European merchants are getting. Can you give us a concrete instance for making the statement?

A.—I cannot give you a concrete instance.

Q.—If that is so, the view that the merchants of the same standing are treated differently cannot hold good?

A.—I quite understand that this may be due more to the nature of the business and probably that is the reason why I am not refused accommodation whereas the others have been.

Q.—Are there businessmen like you who were not able to get advances from the Imperial Bank?

A.—I had my own confidential things in such matters and I cannot divulge them to you.

Q.—We do not want to know any names, but were those merchants who were denied accommodation by the bank in possession of letters of credit like the ones you had?

A.—There are such instances.

Q.—We want a proof of that. It cannot so easily be accepted without a proof?

A.—I cannot give you any now.

The Chairman: How many European firms are there in Tuticorin?

A.—Five or six.

Q.—Are they all big firms?

A.—They are all very big firms doing business all over the continent and the other parts of the world too. The whole thing is this that the Imperial Bank and the other banks get suspicion over the Indian merchants and they oblige only some people. They are not in a position to get sufficient information about their credit.

Mr. Thomas: Are there any other causes why such things happen?

A.—Generally the agents of the branches of the Imperial Bank act on the opinion of the cashier or other person and they do all sorts of things.

Q.—But are the cashiers having such latitude now?

A.—Yes, because the agent does not even know a single man.

The Chairman: Can you substantiate that statement?

A.—Yes.

Q.—How long is it since the present agent has been here?

A.—He has been here for the past six months.

Q.—You said that he does not know even a single man?

A.—It is not exactly that.

Q.—That is what you said. Did you not?

A.—It is a fact that he does not know most of the customers of the Imperial Bank.

Q.—You are making a serious allegation against an officer. Are you not?

A.—There are so many local merchants here who say they do not at all know the agent of the Imperial Bank.

Q.—Have they been to see him?

A.—No.

Q.—You can hardly expect him go round and see you?

A.—He need not go round and see us. But he can see us in the course of the transactions or at least know us.

Q.—You cannot expect him to leave his business and visit other firms?

A.—But then he loses the chance of making their acquaintance and getting to know their position and he will not be able to get the information about them.

Q.—Does he not get such information?

A.—He may get his information only through his subordinate officers.

Q.—Are there cases of the merchants having gone to see him and being refused?

A.—Some merchants of course go and see him and talk to him. But it is only men who are well-versed and who can talk English freely that go to him and talk with him but not all the merchants.

Q.—Cannot the other merchants go to him with an interpreter?

A.—It is not usual to do so.

Q.—It is quite common for the merchants to go and discuss matters with the agent of the bank?

A.—Yes.

Q.—In that case what do they do?

A.—Generally when there is any necessity the Indian merchants take an interpreter, go to the agent and discuss matters with him.

Q.—Is there any difficulty about that being done here?

A.—We cannot see the agent freely.

Q.—What is the difficulty about the Indian merchants getting to know the agent?

A.—Generally the Indian merchants do not go there.

Q.—Why?

A.—They do not want to deal with the Imperial Bank because they are not able to cope with the formalities which the Imperial Bank wants to observe.

Q.—You were explaining to Mr. Gopala Menon that there were no unusual formalities at all. Was that not so?

A.—But there are the usual formalities and generally even the slightest formalities are viewed to be troublesome by the Indian merchants.

Q.—But can you get credit of that sort without any formalities?

A.—No.

Mr. Gopala Menon: You suggest that the remedy for all these things is the creation of more Indian joint-stock banks. What is the impediment now for starting these joint-stock banks managed by Indians themselves? Is there any intrinsic difficulty on the part of the people or do they not believe each other or have they not got the habit of investing money in banks?

A.—They have not acquired the habit of investing money in banks.

Q.—Is it due to the misconduct in the past on the part of the people who have been running some banks?

A.—It is really that.

Q.—Therefore is it due to shyness of the capital to flow into these banks? How are we to get over this difficulty and start more joint-stock banks?

A.—We must introduce more joint-stock banks and see that the people get the confidence that they will be run on sound and efficient lines.

Q.—Could it not be done by the people themselves in the locality?

A.—Yes, it can be done by the people in the locality.

Q.—You replied a little while ago that investing money in jewellery makes the economic resources of the country unavailable for productive purposes. Why not people then invest any surplus money they have in the co-operative movement and institutions like that and strengthen the movement?

A.—Yes, they can do so.

Q.—Why have they not done hitherto?

A.—Because the movement is only of recent growth.

Q.—It has been in existence for the past 25 years and I do not see any reason why people have not come forward to further strengthen the movement?

A.—The Government have not made any wide publicity of its existence.

Q.—But there are many co-operative officers who are going round to educate the masses about the various advantages of co-operation. It is the duty of the people to make the best use of them?

A.—The local ryots are not able to understand what they say. First of all Government must do propoganda work.

Q.—Is it not your opinion that the co-operative movement should be strengthened and expanded in order to solve this problem of rural indebtedness and relieve the ryots of their debt?

A.—Certainly, to a great extent.

Q.—Do you not think that it is due to the fault of people who have not taken to the movement wholeheartedly?

A.—Yes, I agree to some extent.

Q.—Do you agree that if the movement is strengthened, there would be every possibility of the agriculturists being helped to a great extent?

A.—Yes.

Q.—You say that people invest large amount of money in gold and silver, can you tell me what it is due to?

A.—The primary reason is that they can easily convert it into money. They can easily raise a loan on it and satisfy their urgent demands.

Q.—Do you not think that they have no secure place for investing their money?

A.—Yes.

Q.—Is it not your opinion that this habit of investing money in public financial institution must be encouraged among the people and that the want of more financial institutions in the real cause for the absence of investing habit among the people?

A.—Yes.

Q.—Can you tell me by what means other than by the expansion of co-operative movement, can the investing habit of the ryots be developed?

A.—By opening more joint-stock banks and individual banks, by educating the people in the use of such banks and also by explaining to them the unproductiveness of investing money in jewellery, the investing habit of the ryots can be developed.

The Chairman: You spoke of the credit on the part of the borrower. You said that the credit of the borrower is not strong enough to allow him a lower rate, is it not so?

A.—Yes.

Q.—Is it not a fact that indigenous banks have not as much capital and as much business as foreign exchange banks?

A.—Yes.

Q.—You suggest the creation of more Indian joint-stock banks with no branches or with only one or two branches in places where the trade of the locality is intimately connected and this you suggest, must put a check upon the Imperial and other foreign exchange banks opening new branches. Is the Imperial Bank doing any exchange business?

A.—No.

Q.—Do you suggest that the Indian joint-stock banks with its branches should put a check on the foreign exchange banks? How is that possible?

A.—When this system comes into existence, the people will naturally go to those banks.

Q.—Are they not bound to go to the exchange banks if they want to do business with foreign countries? Would you not even then require the foreign exchange banks?

A.—I do not say that foreign exchange banks should not exist at all. But I simply said that they should do only foreign exchange business. They are now also doing banking business, they take deposits in India and in fact do all the business that any other joint-stock bank does in India. For that purpose only I want that separate Indian joint-stock banks to be created, to put a stop to the growing tendency at least in places where new branches are to be opened. Moreover, these exchange banks seek to displace all the indigenous banks. During the last two or three years, the exchange banks have attracted all deposits so much so, that the indigenous bankers had to close their business.

Mr. Thomas: You told us that the interest on deposits given by indigenous banks and joint-stock banks is very much higher than the rates given by the exchange banks. In spite of their low rates, people deposit large amounts with them. How do you account for it?

A.—Generally people think that exchange banks are more stable than the other banks.

Q.—We must therefore make our banks more stable and carry on business in a more businesslike manner?

A.—Yes, especially by the Government lending its support.

The Chairman: You say in your written memorandum that the Government are completely ignoring the need for hand-spinning? Have they not given facilities to people to organize co-operative societies for spinning and weaving? What do you suggest they should do?

A.—I say that they have not yet started anything like industrial concerns.

Q.—Is it for the Government to start industrial societies? They can aid them, but not start them?

A.—As they are helping industrial concerns, they may also help the charka movement and lend a helping hand to the millions of starving spinners and weavers.

Q.—How?

A.—They can start some big khaddar weaving and spinning centres in places where there are facilities for this form of industry and put up a big office and employ a number of men who could weave and spin as they do in

very many other industries in the Industries Department. There are a number of weavers in these districts who have not got sufficient capital. If Government can start big industrial concerns (not factories but concerns like the present A.I.S.A. of Gandhi), they can not only find employment for these people, but at the same time can help to foster the growth of the spinning and weaving industry. They may also finance those institutions, already started by private people.

Q.—What can they earn by spinning?

A.—I think they are earning 2 to 3 annas per head every day.

Q.—Is that a living wage? It is always recognized that the khaddar movement is only a subsidiary occupation to the agriculturists. The agriculturists can spare time for spinning only for a certain period in the year when the crops have been harvested, but even during the off-season they have got various more important work to do. How can then the khaddar movement be organized in a factory system?

A.—There are many people now who have taken this as a life profession. There are also various private concerns now started by certain organizations where the khaddar industry is being fostered and it certainly shows good progress. If Government is to start institutions like that, I think the movement will gain more strength, through their financial assistance and organization.

Q.—Where is the factory to come? What is the necessity for it? Cannot the people spin without a man standing over them? What is it that Government should do?

A.—I say that Government should come to encourage the industry either by their finance or organization by stocking cotton and by providing certain amounts to meet loss in the earlier stages and by aiding the sale of finished products. If they have a mind to encourage this movement, I think it is bound to be a success.

Q.—What kind of financial help do you want the Government to render? What is the co-operative society in Vizianagram you speak about?

A.—In Vizianagram there is co-operative society. There a number of spinners and weavers come and work. The Government help the society by advancing money for purchasing cotton, etc., and carry on its work. The society is an excellent success and I am sure any such society started and helped by Government will also be a success.

Q.—What is the object of the society?

A.—That is a co-operative society and the profits go to the people.

Q.—What is the object of this particular society?

A.—To improve khaddar and popularize the khaddar movement.

Q.—What is the object of improving khaddar?

A.—To make India produce her own cloth.

Q.—What is the object of that?

A.—In order to see that the wealth of India do not leave India.

Q.—If you apply that principle to India, suppose England and all the foreign countries to-day withdraw all their capital from India, do you think it is possible for India to get the help from foreign countries as they now do? A vast amount of foreign capital is invested in India and if it is withdrawn, would not you think that it will be great disadvantage to India?

A.—The foreigners invest their capital in India only for their own business and for their own benefit. India will not lose much by their withdrawal.

Q.—Do you suggest that the object of the society in Vijamangalam is to enable the spinners to spin and make more money?

A.—Yes.

Q.—That is to say they should sell the produce at a higher price, is that not so?

A.—Yes.

Q.—But the co-operative societies are consuming societies. Their object is to obtain the goods as cheaply as possible?

A.—(P).

Q.—Where does the profit of the society go?

A.—Equally to every body concerned in the society.

Q.—You say that the Government is indifferent towards the agriculturists. Do you think that the Agriculture Department does not do anything at all towards agriculture?

A.—Yes, the care they take towards the improvement of the agriculturists is not sufficient.

Q.—But you say that the Government is indifferent. Do not you think that a very large amount is being spent on agriculture?

A.—I have not taken into consideration the amount of their spending in the Agricultural Department. I have judged everything by their results and my complaint in this respect is more on the Department of Industries, with particular reference to their inaction towards weaving industry and spinning as supplementary to the poor agriculturists.

Q.—If you take the boring and pumping industry a good deal of sum is being spent on that. They directly go to improve the facilities to the agriculture classes and everything that the industries department does is towards improvement of agriculture. Then how can you say that the industries department is not rendering any help to the agriculturists?

A.—What I meant is that they are not taking proper care about agricultural industries and that Government is not spending more money on that as they ought to.

Q.—Do you know how much Government is spending in the departments of agriculture, co-operation and industries?

A.—I do not know the exact amount.

Q.—Will it surprise you to know that the expenditure on agriculture and co-operation have been very vastly increased during the last few years?

A.—That may be, but I am not aware of these figures being in any way substantial.

Q.—You refer in your memorandum that you lent Rs. 9,000 to one with 100 acres of wet land, 10 acres of dry land not able to repay the amount of Rs. 20,000. Can you tell me at what rate of interest you lent?

A.—9 per cent. The annual income from the land is worked up only to 3 per cent interest. In 15 years the principal has swelled to Rs. 24,000.

Q.—How will Rs. 9,000 swell to Rs. 24,000 in 15 years?

A.—It was lent on compound interest.

Q.—How much did you incur by way of litigation?

A.—About Rs. 2,000. Now I have obtained a decree for Rs. 24,000 and my debtor could not pay the amount to me and so the lands have come to my possession. I find that the income out of the land does not even come to 3 per cent of my capital and if I am to sell that land, it will not fetch even half my amount.

Q.—You said that he has not been able to repay anything?

A.—He has not paid actually.

Q.—Why? He could have paid it if he had managed it in a proper way. In one year he could have paid the whole amount of Rs. 9,000. Could he not?

A.—Yes, if he had taken proper care he might have paid.

Mr. Thomas: For what purpose was the loan taken?

A.—For having incurred a loss in trade. He did not prosper in his agriculture.

Q.—If he had made more efforts in the land, it would have yielded him more?

A.—Yes.

Q.—He neglected his agriculture? Is that not right?

A.—He was making his fortune by trade since he had no other facilities.

Q.—Nobody would lend him money?

A.—As he has already mortgaged his land nobody would give him money. There is also another difficulty. It being a zamindari land nobody would lend him money on a very easy basis.

Q.—In whose name does the land stand now?

A.—It stands in somebody's name. No owner at present for the last three decades.

Q.—You are the owner?

A.—Not now; it has not been taken in Court sale. I am the receiver of the property appointed by the Court.

Mr. Gopala Menon: Any security given?

A.—Yes.

Mr. Thomas: You think that it is a case in which the land mortgage bank could help at all?

A.—Yes.

Q.—What is the price of the plot?

A.—From fifteen to twenty thousand rupees.

Q.—But he owes you a large sum of money?

A.—There are also some other properties. He has also some 200 salt-pans which he has mortgaged.

Q.—You are working now as receiver. After taking your amount do you think you could return to him at least part of his property and put him on his feet again?

A.—One thing we can do. Suppose some more money say ten to fifteen thousand rupees are invested and if water is diverted from the tank, the property will fetch a price of fifty to sixty thousand rupees.

Q.—Do you propose to do that?

A.—Yes.

The Chairman: You referred to the difficulties in the development of joint-stock banks locally. Why not start some more banks if possible?

A.—They can be started.

Q.—Why is it not done?

A.—Here are three banks. A.R.A.S. Bank, the South Indian Bank and the Nadar Bank which has got a capital of about three to four lakhs. They have got deposits for about fifteen lakhs.

Q.—Paid up amount?

A.—All paid up.

Q.—It is a pretty small bank. Why do they not put in more capital?

A.—They are able to invest only so much.

Mr. Gopala Menon: They are not able to attract more deposits?

A.—Generally the Imperial Bank helps those who are lending money such as Nattukottai Chettis and people who are doing business. They treat them liberally.

Mr. Thomas: Are you speaking of the bigger traders?

A.—Yes; not of the shop-keepers.

The Chairman: Who runs all these small banks; merchants themselves

A.—Yes.

Q.—Do the managers quarrel?

A.—Not often; only at times they may quarrel.

Q.—That is a serious hindrance to the business?

A.—One of them is enough to create difficulties. There must be co-operation and fortunately there is co-operation here.

Q.—The trouble that you are describing are very rare. Do you want the Government help?

A.—Yes, but you cannot do a great deal. For example, you cannot stop people from quarrelling. The Government is only for the benefit of the people and they must be helped in all sorts of ways. The general complaint is that the taxes are very high while people are poor and their income is meagre.

(The witness then withdrew.)

Monday, 3rd February 1930.

TUTICORIN.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMMED SULTAN MARICAIR SAHIB Bahadur.

M R.Ry. ISAAC NADAR Avargal, Agent, Nadar Bank, Tuticorin.

Oral evidence.

The Chairman: You are the agent, Nadar Bank?

A.—Yes.

Q.—How many branches has the Nadar Bank got?

A.—None.

Q.—Can you give us an account of the history of the Nadar Bank?

A.—It was started in 1921. The shareholders can only be Nadars but share warrants are issued to non-Nadars also.

Q.—Can you give us any account of its history?

A.—Nadar Conference were being held every year and the resolution was being passed every time that a bank should be opened for the community.

Q.—Why?

A.—It was to help the merchants of their own community first.

Q.—What was the necessity to help the merchants of your own community?

A.—It was because everybody was not able to get credit in any and every bank and especially in the Imperial Bank it is not easy for the Nadars or any other small merchants to get credit. They have to go through various channels and that takes time and all that. Therefore they wanted to have a bank of their own. That was the primary object. Then there was a conference held in 1920 and then it was finally settled to open a bank in 1921. As a result of it the Nadar Bank was registered in May 1921 and the business was started in November 1921.

Q.—Is that the full history of the Nadar Bank?

A.—No. That is only the beginning.

Q.—How were the funds raised in the first place?

A.—By means of shares and the value of a share is Rs. 10 and Rs. 2-8-0 has to be sent along with the application.

Q.—When it was first started what was your capital?

A.—About Rs. 70,000. At the conference of 1920 a list was sent round and some of the members present subscribed their shares.

Q.—I do not understand how the necessity for this bank arose?

A.—As I said before the conference thought that the members of their own community cannot get credit in all the places although they may be rich.

Q.—What do you want credit for?

A.—Most of them are traders and they thought that their trade could be expanded and after the bank was started it has actually improved the trade of these people. Most of the leading merchants of Tuticorin are Nadars now while there were only a few before the bank was started.

Q.—It is only open to the Nadars?

A.—The membership is open only to the Nadars while the business is open to all. The shareholders can only be Nadars but for non-Nadars share

warrants are issued to the same value of Rs. 10 but they have no voice over the management of the bank. So we have set apart a lakh of rupees for issuing share warrants. We have not been approaching the people for this purpose because we are waiting to declare a good dividend.

Q.—What is your present capital?

A.—The paid-up capital is about Rs. 2,54,000; subscribed capital is Rs. 5 lakhs.

Q.—Why is the paid-up capital half of the subscribed capital?

A.—We collected only half the amount and have left the remaining to be treated as reserve and the members are ready to pay the other half at any time.

Q.—How much has been called up?

A.—Only Rs. 2½ lakhs.

Q.—What dividend have you paid?

A.—The highest rate paid so far has been 8½ per cent and the lowest was 6 per cent. Last year we paid 7½ per cent and this year we hope to pay 7½ per cent.

Q.—How much do you borrow?

A.—So far we have not borrowed.

Q.—Are there no deposits in your bank?

A.—There are five lakhs of rupees in deposits with us.

Q.—What sorts of deposits do you take generally?

A.—Fixed deposits, savings bank deposits and current deposits. Most of the deposits are fixed deposits.

Q.—How much have you to pay to get them?

A.—6 per cent on deposits for three years and 5½ per cent on deposits for one or two years.

Q.—And on current accounts?

A.—We have got about Rs. 50,000 in current deposits and the amount is always fluctuating. We pay 4½ per cent during the busy season from March to September and 2 per cent during the slack season in the other months. On savings bank deposits we pay 4½ per cent.

Q.—What is the class of business that you do?

A.—Money-lending, cashing cheques and issuing drafts.

Q.—On which place do you issue drafts?

A.—On Madras.

Q.—How do you keep yourself in funds in Madras?

A.—For collections we send to the Indian Bank and we draw on them.

Q.—Are they your own hundis?

A.—No. We discount the hundis that come to us.

Q.—You do only discount business?

A.—Not so.

Q.—What is the object of this financing that you are doing? You say that you issue drafts on Madras. What is that for?

A.—If anybody has to pay in Madras he comes to us.

Q.—Is there much payment in drafts here?

A.—Yes. They get shipments from different places. Lately it has not been much but two or three years ago foreign goods were coming to Madras and not to Tuticorin.

Q.—Do you finance the traders?

A.—Yes.

Q.—On what term do you give them money?

A.—As soon as the advice from the bank comes of any shipment we pay 75 per cent of the value and take the documents. That has to be repaid within 15 days.

Q.—What is your security?

A.—Only the goods. First we get the bill of lading and then it is handed over to the agents and we keep the goods with us. It is a sort of business where we help our own people. We know them much better than any other and we know their financial position also.

Q.—Do you get any assistance from any of other banks?

A.—So far we have got no assistance at all.

Q.—Do you require it?

A.—We were asking the Imperial Bank to open an account in our name. They wanted all the directors to sign. They did not want to do that. Most of the share-holders themselves have dealings with the Imperial Bank. Only last week we have decided to purchase Government securities and pledge them, if necessary, with the Imperial Bank and open an account.

Q.—What forced you to come to this decision?

A.—Sometimes the demand is more than we can supply and sometimes we have surplus money left with us. So, if we open an overdraft account, when we do not require money we can pay it back and we will not lose any interest.

Q.—You speak of your community men being traders. What is the principal business in which they are engaged?

A.—They are mostly grain merchants and some of them are engaged in cotton trade also.

Q.—Are they exporting cotton?

A.—Mostly I think they sell to the mills.

Q.—Are they merchants or brokers?

A.—They are merchants?

Q.—So they are buying and selling to the mills?

A.—Yes. We pay them the money and they pay the money to the middlemen and the middlemen pay the money to the agriculturist.

Q.—You deal with the merchants who buys from the middlemen?

A.—Our merchants have direct dealings with Rangoon, Karachi and other places. They have got their own people there to buy the goods.

Q.—How do you finance the trade in cotton?

A.—In regard to that we lend only against personal security and not on the security of the goods.

Q.—You lend to the merchants to buy cotton?

A.—Yes.

Q.—Do you run any chits?

A.—No.

Q.—Do the members of your community run chits?

A.—Yes. There may be 300 or 400 of them who have their earnings by means of these chits, but it is not a regular business.

Q.—You have some knowledge of them?

A.—Yes.

Q.—Are there a large number of chits in this district?

A.—Yes. I think there was even a judgment by one of the judges here about these chits.

Q.—You say that a large number of people are living on that?

A.—Yes. The man who runs the chit in some cases lends the money and it is only after he gets the money back from the person to whom he had lent, he pays the man to whom it is due though it may take a fortnight or more. Some of these men fail.

Q.—Why? Does that mean that the man himself fails or the chitties break down?

A.—The man himself fails.

Q.—Do you mean to say that the chit amount is lent out?

A.—Yes. It is only people of small means who go in for chits. They pay the chit amount at a rupee for one hundred weeks and it is easy to deceive them.

Q.—Is the bulk of the chits consisting mostly of small chits?

A.—Yes. There are very few large chits also.

Q.—Which do you call a large chit?

A.—In ten months they collect Rs. 300.

Q.—Are they mostly monthly chits?

A.—Yes. They run to thirty or forty months. There are also weekly chits.

Q.—Are there any chits in which the payment of the instalments is once in six months?

A.—Yes, there are.

Q.—Are there many of these?

A.—There may be only a few.

Q.—What would you say in regard to the bulk of these chits? Are they weekly chits, or are they monthly or once in six months?

A.—In Tuticorin and other places it is only the weekly chits that are found in large numbers.

Q.—In regard to the six-monthly chits what do they generally pay?

A.—Such chits are run for 10 or 12 years and the subscription is Rs. 60 or Rs. 50 per half year. It all depends on the persons who conduct and who join such chits.

Q.—How many chits will there be in the district?

A.—2,000 or 3,000. I do not think that there is a village in the Tinnevely district where a chit is not run.

Q.—The village chits are all run with six months' rests?

A.—Yes.

Q.—But this kind of chits does not preponderate?

A.—No.

Q.—Do they fail?

A.—No, because the foremen are holders of land and that will be the security for them.

Q.—Which type of chits is the most common? Is it the auction chit or the prize chit? Do you have much experience of that?

A.—Not much experience. I have known some people who run these chits.

Q.—Are there many swindles in them?

A.—Swindles are very common in the town. Last night I was told that one foreman who instead of paying the amount on the due date postponed the payment for four months and that was due to the fact that the money he had lent to another he could not receive in time and then he did not even pay the interest to the party.

Mr. Thomas: Is he chit you are now having in mind an auction kuri?

A.—Yes.

Mr. Gopala Menon: When was the Nadar Bank started?

A.—In 1921.

Q.—What are your banking hours?

A.—From 10-30 a.m. to 4 p.m.

Q.—Until what time do you cash cheques?

A.—Till 2 or 3 o'clock.

Q.—Then you close at 4-30 in the evening?

A.—Yes.

Q.—Have you deposits in any bank?

A.—We have deposits both in the National Bank and the Imperial Bank.

Q.—You have current accounts there?

A.—Yes.

Q.—Do you keep much cash in the night with you?

A.—We keep only a very very small amount.

Q.—How much have you collected in the way of shares?

A.—More than 2½ lakhs.

Q.—How much do you set apart every year towards the reserve?

A.—Of the share amount Rs. 2½ lakhs remains with the share-holders and we treat that as the reserve fund and the share-holders are always in a position to pay that half at any time the call is made.

Q.—You mean the unpaid share?

A.—Yes.

Q.—Is it not a practice to set apart a portion of the profits every year towards the reserve fund?

A.—It is advisable to do so and in fact we want it, but only we are waiting for the time when we may have good dividends.

Q.—What dividend do you pay now?

A.—From 7½ to 8½ per cent.

Q.—Your institution is confined to the Nadar Community?

A.—The share-holders can only be the Nadars.

Q.—You open accounts for other people, I presume?

A.—Yes.

Q.—Do you take deposits from all classes?

A.—Yes.

Q.—What is the total amount of such deposits?

A.—It is a little over Rs. 5 lakhs.

Q.—What is the security on which your bank advances money?

A.—Personal security.

Q.—Do these agriculturists come to your bank and borrow?

A.—Yes, some.

Q.—You know their financial status?

A.—Yes.

Q.—You say that the facilities available for internal remittance are meagre and that there is only the Imperial Bank and the Post office. Why cannot you develop remittances by means of cheques?

A.—We want to send money from here to Madras or we want to get money from Madras to this place.

Q.—I want to know something about the method of remittances you make in the Tinnevely district?

A.—By the internal remittances I meant the provincial remittances.

Q.—Is it due to want of other facilities that you are sending the money through the Post office?

A.—Yes. If I go to the Imperial Bank they charge me one anna, sometimes two annas and three annas.

Q.—Do you think as a banker that the ideal way of making remittances is by means of cheques or bills?

A.—Yes.

Q.—You have got an account in the Indian Bank and you say you are also sending cheques and hundis collected here for realization at Madras. Therefore is it not better that instead of making remittances in cash through the Post office to pay these amounts by way of cheques or bills and thus create a banking habit in your customers?

A.—At the end of last year I had to deposit an amount of three or four lakhs in Madras and I could not possibly do it because there is no other bank to whom I could issue a cheque.

Q.—You have got an account with the Imperial Bank?

A.—Yes, here.

Q.—You as a banker can educate the people by making payments in cheques and bills and also induce them in that way to bank their money in other institutions instead of making remittances through the Post offices. Can you not do that?

A.—The people who deposit their money with us issue cheques whenever they want money. That is being done.

Q.—You say that generally there are no facilities for internal remittances?

A.—That is as between ourselves and the other banks. We can have opened a branch in Karachi or Rangoon. But now there is no facility for us except to have our remittances through the Imperial who charge us for that.

Q.—Is it because you have no accounts with other banks in those places? Anyhow do you admit that it is a more convenient form for making remittances by way of bills?

A.—Yes.

Q.—You do not take any security except personal security from the ryots I believe?

A.—No.

Q.—Do you not grant loans to traders?

A.—Yes. We do give them loans on goods also.

Q.—You say you have no opportunity to borrow from other banks? Why?

A.—We want to proceed slowly but safely.

Q.—You would discount bills?

A.—No.

Q.—Is that because your customers do not like to come to you for the discounting of bills?

A.—No. We can get bills from those who come to us for borrowing money and then we can discount them.

Q.—Why do you say that the Imperial Bank considers the joint-stock banks as their rival?

A.—Now if I cash a cheque I will have to pay a commission of an anna more than what they would charge to others and that is because we are bankers and the others are not. The reason is that they want the merchants to come to them direct.

Q.—Does the National Bank also adopt the same course?

A.—The only point is that they want the traders to come to them direct.

Q.—Are you sure about it?

A.—Yes. I know in a certain instance when a man came to me and asked me to cash a cheque he had, a peon came from another bank here and told him that the bank will do the thing cheaper for him.

Q.—Are you regularly discounting hundis for far off places?

A.—Yes.

Q.—What are those places?

A.—To Karachi and other places.

Q.—Do you know that because you want to remit money for those places and consequently they are asking for a higher rate?

A.—For these small amounts they do not charge anything. I am only referring to small amounts.

Q.—Other merchants may be asking drafts for higher amounts?

A.—I am not sure of that. I am sure that the bank is treated in a quite different way.

Q.—To overcome this difficulty you say that more banks must be started. Who should start these banks?

A.—The Imperial Bank is not accessible to all, not to the poor man, by which I do not mean the man without money but who is not an up-to-date man.

Q.—Why? The small banks are intended for the people in the locality who have small needs.

A.—That is why I say the Imperial Bank should help joint-stock banks.

Q.—Of course you want to create competition by having more banks? Is that your idea?

A.—No.

Q.—Nobody prevents you from starting banks?

A.—People cannot entirely depend on their own capital. In our own case the Imperial Bank could have helped us. They know us very well, they know the status of our directors. They surely could have helped us to a certain extent at least, but they do not do so.

Q.—What do you mean by saying that people are now investing money in undesirable places and in undesirable ways?

A.—I mean chits and those sorts of things.

Q.—The major portion of the chits are run by menials and small men who are not in a position to open bank accounts?

A.—They invest in other places because we do not give them sufficient interest. If they lend that money to some other person, they get 12 per cent interest. They invest their money in lending on mortgages where they can get a higher rate of interest than putting it as deposits in banks.

Q.—You lend money on personal security?

A.—Yes.

Q.—You have not refused to lend for want of security?

A.—If the personal security is not quite satisfactory we do not lend money to them.

Q.—What you mean is that instead of people investing their money in chits they should put that money in banks, for these chits are insecure?

A.—Yes.

Q.—Is there much hoarding of money here, hoarding of gold and silver?

A.—Yes.

Q.—A good deal?

A.—Yes.

Q.—Is it due to ignorance or craze for gold or ornaments?

A.—The worth of the people is known by the quantity of jewels they wear.

Q.—Is it due to the fact that they can raise money without any difficulty by pledging the jewels?

A.—Yes, that is one of the reasons.

Q.—Can you suggest any way by which we can educate the people and induce them to invest their money in banks instead of in gold and silver?

A.—If more banks are opened in the villages and small places they will put their money in banks. Generally it is the minors' and widows' money that is at present being hoarded. If they come to know that there is a bank very near them they will then put their money in them.

Q.—Do you think that this is the only way of getting over this practice of investing in gold and silver?

A.—Yes, by the opening of more banks.

Mr. Hameed Sultan Maricair: Can you just tell me any of the small merchants here having accounts with your bank? Are you having such accounts?

A.—Yes.

Q.—To what extent?

A.—They send us their surplus money to the credit of their account and withdraw them when they want.

Q.—Do you lend to them on personal security?

A.—Yes. For merchants we also lend money on goods stored in godowns where it is insured and if we are given the keys.

Q.—That is key loans?

A.—We call it godown loans. Generally it is for 3 months. We allow also open loans.

Q.—The small merchants in the bazaar, have they accounts with you?

A.—No.

Q.—Why?

A.—They go to the hundi shops where they can get more interest.

Q.—What interest do they get?

A.—They get 6 per cent on deposits.

Q.—And for the money they take?

A.—They will be charged 12, 15 and sometimes 18 per cent interest. 12 per cent is the minimum.

Q.—Why not they send their money to you?

A.—We do not give them interest at 6 per cent on current account. They also lend them money on single signature, but we allow loans only on double signature.

Q.—Do you lend money on gold?

A.—No.

Q.—Why?

A.—We employ all our funds in other ways.

Q.—The Imperial Bank is lending money on gold?

A.—Yes, on solid gold.

Q.—At what rate?

A.—At the same time rate as for godown loans, I think.

Mr. Thomas: I suppose you have a reserve fund?

A.—We have got a small amount.

Q.—In what form is it kept?

A.—It is invested in fittings and furniture and business.

Q.—What is the item 'Cash with bankers and on current account'?

A.—We have deposited some money in the current account with other bankers, the Imperial Bank, the Chartered Bank and the National Bank.

Q.—In fixed deposits?

A.—In 1928 we had put money in the Indian Bank. In 1929 we have deposited in the Indian Bank, and the Imperial Bank.

Q.—What is the amount of your reserve fund?

A.—It is Rs. 3,600. Of course the amount is small and it is a draw back. We do feel it and our directors intend to increase it. But we have got the reserve liability of shareholders.

Q.—You have have a deposit of Rs. 5 lakhs now?

A.—Yes.

Q.—Do you think that the reserve fund you have and other liquid assets would be sufficient to meet a possible run on the bank?

A.—Some of the deposits are for 3 years, and some for 2 years and some for 5 years and so on. The current account and savings accounts are only Rs. ½ lakh and Rs. 40,000 respectively.

Q.—What classes of people place fixed deposits with your bank?

A.—We have got these Nadar Mamool. They collect so much per cartload on the goods sold, etc., and these constitute a fund. Most of the Nadars and others have also put money on fixed deposits.

Q.—What is the kind of help you are expecting from the Imperial Bank, the lack of which you are complaining of in the memorandum?

A.—In cashing cheques, the Imperial Bank charges 4 annas and 3 annas to banks. Now this 3 annas is too much.

Q.—Have you placed the matter before the Imperial Bank authorities?

A.—Yes. I had interviews with the local agent, but he said that it was the instruction from his head office.

Q.—Do you know how they treat other Indian Bank?

A.—There was one instance of their bank at Trivandrum of which we had information. We then wrote to them and they told us it was not so. Now they have got a fixed rate for banks which I say should be less than for the public.

Q.—Have you been also to capture their business?

A.—I have got Rs. 7 lakhs of business.

The Chairman: Do you seriously suggest that they should give you additional facilities in order that you may take their business?

A.—They should give us facilities because it is a Government bank, they are getting so much of deposits from Government.

Q.—Have you got the same credit as the Imperial Bank?

A.—Most of the municipalities will be only too glad to deposit their money with us, because they know our directors who are very wealthy men. Even the Imperial Bank are allowing them a large amount of credit.

Q.—Can you get from the public deposits at the same rate of interest as the Imperial Bank?

A.—No. We cannot. We have to pay more interest. Of course it is not the same people that deposit their money in the Imperial Bank who put their money in our bank.

Mr. Thomas: Have you really been able to encourage the savings amongst the smaller people. Have you been able to capture to any extent any of the Imperial Bank's clients?

A.—It is generally our own people especially widows and minors whose monies are deposited with us. They will not put their monies in the Imperial Bank. They either keep it with us or give it to traders.

Q.—In regard to borrowing also these people come to you?

A.—Yes, in spite of the fact that the Imperial Bank is charging lower rates of interest than us. We charge 12 per cent for loans on personal security during the busy season. Their highest rate is 8 per cent.

Q.—How do you account for that?

A.—We are more easily accessible to them.

Q.—Do you have the same business hours?

A.—Yes. In my bank the customers can come direct to me but not so in the Imperial Bank.

Chairman: Why?

A.—There the cashier is responsible for all the loans. The Agent simply consents to it, but the cashier is responsible. He must see that all the money advanced is repaid, otherwise he will be responsible.

Q.—How is the cashier responsible? Do you mean that he backs all bills?

A.—He must approve of all the loans. The agent cannot give the loan without the consent of the cashier. If he does so, he is responsible. The cashier deposits not less than Rs. 10,000 for the post.

Q.—You mean that if a man fails the bank will come down upon the cashier?

A.—Yes.

Mr. Thomas: Is there any other facility that you provide for your clients, which makes you more readily accessible to them?

A.—Our bank closes like other banks at 3 o'clock. But if at 4 o'clock say, one of our customers comes and wants immediately to release some goods on loan and return before the next day and by that he is sure to get some profit of course we oblige him and put that transaction in the next day's account.

Q.—Does such treatment tend to the inculcation of habits of punctuality among businessmen?

A.—Those are done only at times and that just to oblige customers.

Q.—Do you give more grace days?

A.—In those cases we are as strict if not more strict than the Imperial Bank.

The Chairman: You said in the Imperial Bank the cashier is responsible for all the loans?

A.—I mean the cashier and not the shroff.

Q.—A cashier is generally a junior officer under training; how is he to be made responsible?

A.—No.

Mr. Gopala Menon: I do not think they are responsible for all the loans. They are only consulted with regard to the stability of the parties?

A.—I think the cashier is held responsible.

Mr. Thomas: While speaking to the Chairman about the financing of trade, were you referring to import merchants?

A.—Yes. The man consigns the goods from Rangoon and draws the bill on the security of the bill of lading. We get the bill of lading endorsed to us and discount such bills.

Q.—Have you had any difficulty in regard to these transactions?

A.—No.

Q.—Do you finance agriculturists?

A.—To a small extent when they come to us.

Q.—To what extent?

A.—To about say Rs. 2,000 or Rs. 3,000.

Q.—On what security?

A.—On personal security with double signature.

Q.—You said your working hours are the same as those of the Imperial Bank?

A.—Yes.

Q.—Are Indian businessmen having any inconvenience by that?

A.—They do; but we cannot help it.

Q.—In regard to the chits in Tinnevely district are they mostly prize chits or auction chits?

A.—They are both.

Q.—Is the full amount auctioned?

A.—In the chits also there are two systems, one is the auction system and the other is the instalment system, i.e., 20 persons contribute Rs. 10

a month for ten months for a chit of Rs. 200. A lot is drawn and the man who gets it gets the full amount. The other is it is put in auction and the man who bids lowest gets the amount.

Q.—Is there any other system in which the subscriber, when once he gets the lot, severs all connexion with the fund?

A.—No.

Q.—In which class of chits you find the greatest amount of corruption or loss?

A.—I think in both.

Q.—In these chits, who is the losing party generally, the organiser or the subscriber?

A.—It is the subscriber.

Q.—Why should these people join the chits organised by fraudulent people, especially who have no fixed business in Tuticorin?

A.—They have probably no other means of saving money.

Q.—Therefore chits are serving the purpose of saving money?

A.—Yes.

Q.—Why do you not start more chits like that and collect money?

A.—We can.

Q.—Have you got a savings bank account?

A.—Yes.

Q.—Do banks run chits? Do you think if you do, you will be inducing people to save?

A.—Yes. The Quilon Bank does it successfully. It was also suggested by our directors to find out the means of working it.

Q.—Are you aware of any nidhis running chits here in this district?

A.—Yes. Most of the nidhis are running chits.

Q.—You speak of the people investing money in undesirable places?

A.—Yes.

Q.—Do they hoard in gold and jewellery? Is the habit increasing or diminishing?

A.—It is diminishing.

Q.—How is it diminishing?

A.—People have begun to put more money into the banks.

Q.—Have you got more banks in the interior? Do you think that it will facilitate the work?

A.—I do not think.

Q.—Have you opened any branches?

A.—We opened one three or four years ago. Only during busy season we do money-lending business. There is no business for other months.

Q.—Why do you not open banks in other places?

A.—The Nadars are all over the district. They do not borrow money for their own business.

Q.—You take deposits and also lend money to the small traders?

A.—It is going on.

Q.—What is their capital?

A.—One hundred to 200 rupees. They do not want much money. The village merchants do not borrow from the banks.

Q.—Why are you then speaking of your needing more banks? Even the banks now in existence cannot extend their business?

A.—In places like Tuticorin and other towns we can do more business.

Q.—But your present business is not very extensive, is it? Therefore rather than saying that we require more banks, I would say that we require extension of the business of our existing banks; greater banking habit.

A.—Yes.

Q.—What is your authorized capital?

A.—Our authorized capital is 20 lakhs; subscribed capital is 5 lakhs. We want money.

Q.—Why do you not sell your shares in the open market?

A.—There is this difficulty. The management must be in the hands of the Nadars.

Q.—People are not prepared to subscribe unless they have got a share in the management of the bank?

A.—Unless one has got a share in the management he is not willing to part with his money.

Q.—Is there any special reason why you would restrict your bank for your own community? So long as your people have got a authority of shares, won't you be able to control the bank? Why push communalism to banking?

A.—Each community wants for its community more banks. Only then people will be in the habit of putting their money in banks.

Q.—Do you deal with other people? Do you take deposits from them?

A.—We are extending our business. We take deposits from all people.

Q.—Which is your principal object, to do business in the businesslike manner, or merely to help your own community?

A.—The object of the institution is not merely to make money out of it but to help our people. Self-help first and help others if we can afford.

Q.—If you can do both, why don't you develop your bank or sell more shares?

A.—As I said before this was the outcome of the Nadar Mahajana Sangam. They wanted a bank of their own.

Q.—You say you cannot make use of your funds?

A.—During busy season we have not sufficient money.

Q.—If there are more joint-stock banks, could you easily tide over that difficulty?

A.—I do not think that Tuticorin wants any more banks. Co-operative banks will be more useful in the interior.

Q.—Very well. Have you had occasions to study co-operative banks in Tinnevely? Are they run on proper lines?

A.—I have seen only in the papers.

Q.—How long have you been the agent of the Nadar Bank?

A.—Eighteen years.

Q.—Before you began as agent, what were you?

A.—I was in the South Indian Railway Co-operative Society for 7½ years. I was then the manager of the English Warehouse in Colombo and Rangoon.

Q.—What is the strength of your establishment?

A.—Here there are three clerks, two peons and myself.

Q.—Are they trained hands?

A.—They were not trained in the banks. They were working as clerks somewhere.

Q.—You have not got assistants trained in any bank in Madras? Don't you think that it is necessary to have some training?

A.—Then we will have to pay more. This will serve our purpose. Of course it is better to have a trained man.

Q.—I hope you are a salaried official?

A.—Yes.

Q.—Have you found it necessary to finance the export trade of Tuticorin?

A.—We do not do that.

Q.—Is there not much trade in Tuticorin with Ceylon?

A.—We have not been able to finance it.

(The witness then withdrew.)

Monday, 3rd February 1930.

TUTICORIN.

PRESENT:

Mr. H. M. HOOD, I.C.S. (Chairman).

Mr. P. J. THOMAS, M.A., B. LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMMED SULTAN MARAICHAIR SAHIB Bahadur.

M.R.Ry. R. SIVARAMA AYYAR Ayyar, Mirasidar,
Ravanasamudram, Tinnevely District.

Oral evidence.*

The Chairman: You have had a good deal of experience in the villages?

A.—Yes; in some of the villages in Ambasamudram.

Q.—Are there many chit funds there?

A.—Yes.

Q.—Many of them are not working properly?

A.—No. Generally as a rule there is no swindling. Of course there are swindlings but only very rarely.

Q.—Do they often lose their money?

A.—Only in 10 out of 100.

Q.—What is it due to?

A.—That is due to people not knowing the financial capacity of the person who runs. Generally when a banker or a merchant is sinking he thinks of living himself up by organising a chit. That is the only case where you find swindling. People must be able to know whether a man is solvent or not.

Q.—In the villages are they run generally by a man in the village?

A.—Yes. The merchant has not often dealings in the villages. He gets the commodities from the villages as well as from outside the villages. Before advancing the villagers must know the conditions. If he has been paying the interest due upon the debts there is no way of knowing whether he is solvent or insolvent.

Q.—Are there many chits in the villages run by merchants?

A.—They are run by landlords, merchants and bankers.

Q.—They do not live in villages?

A.—They live in villages. Even if you live in the village, you may not know all about them. For instance take the business in Malabar. Some of the members are living here and others in Malabar. There is the family concern which is sinking down. The villagers cannot know it. It is only in such cases that the villagers lose their monies.

Q.—What is the commonest form of chit? Are there fairly big ones or small ones?

A.—Big ones are only small in number.

Q.—In the villages mostly chits are run on subscription for six months?

A.—Every six months we have.

Q.—Very frequently, weekly or monthly?

A.—That is very rare in these parts.

Q.—All are agriculturists. They can command money in the town?

A.—Yes. Even in towns monthly chits are very rare.

Q.—What is the ordinary way in which the villager gets accommodation if he wants loans?

A.—In every village there are money-lenders.

* For written evidence, vide pages 322—354, vol. II.

Q.—Of late the village money is being drawn to the banks other than district towns?

A.—But that does not drain away the whole money of the village.

Q.—What rate does he generally pay?

A.—The ryot; there are two classes of people I will take ryots to be actual cultivators. They may or may not have lands.

Q.—By a ryot we understand a man who has got lands in the villages or who do paddy trade.

A.—Small proprietors cultivate their own lands. He will have to pay 12 per cent a year, 1 per cent per mensem.

Q.—What about his produce?

A.—He sells it to his merchants.

Q.—Do they borrow from the merchants?

A.—Yes.

Q.—At a small rate?

A.—The landlords accommodate them if they are cultivating the landlords lands. Otherwise there are not several items on which he goes on borrowing. He has his grain, seeds, etc.

Q.—Do you mean that they do not borrow much?

A.—No. There is a village in which I own 40 per cent of lands both dry and wet. With six hundred rupees I am able to accommodate all the ryots who cultivate my land.

Q.—You are lending money to the ryots?

A.—Yes. I get it after six months.

Q.—You charge only 12 per cent. Is there lending on grain rates?

A.—No. Whenever a landlord advances money to his ryot he takes 12 per cent. The loan will be outstanding for six months. The actual cultivation period is only four months. So the total amount will give the landlord 9 per cent a year.

Q.—Is he satisfied with that?

A.—Oh yes. The landlord is anxious to maintain the quality of his land and cannot therefore neglect his tenant.

Q.—Then why do they borrow money from the co-operative societies?

A.—Only in places where there are petty landlords who may not be able to accommodate them. Co-operative societies are not working as they ought to be in village parts.

Q.—Why?

A.—I have experience of two societies, one in Ambasamudram and the other in Govindaperi.

Q.—Why not?

A.—In those places the money does not seem to have reached the ryots' hands and the Tahsildar is trying his best to recover money. In Ambasamudram the clerk swindled something like Rs. 3,000.

Q.—Who asked him to do that? The directors of the bank?

A.—They do not take particular care. In this case the clerk repaid the money after taking money from a third party and committed suicide. That party lost all the money.

Q.—Do the members allow it to run in that way?

A.—It may be a single case. I say that it is not run as it ought to.

Q.—The co-operative societies loans never reach the villagers?

A.—That is the complaint.

Q.—The villagers are quite content with it?

A.—They have to repay the amount whether they have received it or not. The Tahsildar is there to recover the amount.

Q.—Is there a law that they should pay when they have not actually received the money?

A.—They have signed the papers. They do not receive the money.

Q.—How do you know that they have not received the money?

A.—They say. You refer to the papers. I referred it to the actual man. That is the difference.

Q.—There is the statement that they have received it?

A.—Believing in a man who would pay money such things take place. There is no use questioning it.

Q.—Do not they question?

A.—They question but you do not allow them to question. Now it has to be recovered somehow.

Q.—Why?

A.—Because they have signed the bonds.

Q.—If they can prove that they did not receive how are they liable?

A.—Persons who have received the amount must have received it as their agent. There will be so many difficulties. But the fact remains.

Q.—Is it your suggestion that the co-operative societies are of no use? Are these two isolated cases?

A.—Not isolated cases. They do not work well. Of course there may be cases where they are working well. The Triplicane Urban Co-operative Society is working well.

Q.—Is that making a profit?

A.—They are there to make profit. They are there to benefit the people. Of course it is in paper.

Q.—Does it make a profit?

A.—I do not know. There is no complaint against it.

Q.—What about the money-lenders in the villages?

A.—They are getting on well. I may tell you that Nattukottai Chettis do not thrive in this district. That is one great credit to this district.

Q.—Why is that?

A.—Because Nattukottai Chettis are lending money at a very high rate of interest and they wanted to do business but they do not succeed. So money-lending is done on a more favourable and cheaper rate of interest than is done by Nattukottai Chettis.

Mr. Thomas: Your written evidence is detailed and useful.

A.—I thank you.

Q.—I find that you have made detailed studies in rural economics. Can you tell me in regard to the studies you have made what you regard as an economic holding in this district?

A.—One kota. It differs from district to district. One kota is equal to one acre and sixty-three cents.

Q.—Would it be sufficient for a family of five people?

A.—The unit of the area that can be sufficiently cultivated with one pair of bulls by one tenant with the members of his family is one kota or 1.63 acres in one season and there are two seasons in a year. A tenant owning a pair of bulls is able to cultivate 3.64 acres of dry lands also in a year in this district.

Q.—May I ask what income the family would get from a kota of land?

A.—One kota will yield if it is very good land 36 kotas of paddy for both seasons. They will give to the tenant 12 kotas, i.e., Rs. 132 a year.

Q.—Is it sufficient for a family of five people?

A.—It will not be. An account of it is given on page 341 of the written evidence. You see therefrom that there is work for the family only for 177 days in a year of 260 working days. So they may earn otherwise during the remaining 83 days.

Q.—That is why you have suggested some means of providing subsidiary industries?

A.—Yes; I entirely rely upon well irrigation.

Q.—The tenant is able to cultivate one acre and sixty cents with one pair of bulls and one plough?

A.—Yes.

Q.—Could a family of five live upon the produce of one kota of land? Is it really an economic holding?

A.—The holding of 3 acres of land is generally regarded as the average economic holding of a ryot, i.e., if he cultivates 3 acres of land himself he can eke out an economic living.

Q.—Have you in the Tinnevely district large landowners who cultivate their own land?

A.—There are many and I am one of them.

Q.—How much land do you cultivate?

A.—I cultivate nearly 75 acres every year.

Q.—Are you managing your whole land under your own supervision?

A.—These 75 acres are cultivated by my servant under my own supervision. I have got some other lands which are cultivated by tenants and I also exercise my supervision over them.

Q.—Do you employ any pannaiyals to cultivate these lands? How many?

A.—Nearly seven for the home-farm lands. Out of these 75 acres nearly 40 acres are irrigated and the remaining 40 acres are rain-fed. Out of these 35 acres 20 acres are irrigated from tanks and 20 from wells by power lift. So the number of servants that I have to employ will be the minimum. Because the cultivation can be carried on from time to time without any pressure from climatic conditions he carries on the cultivation on all seasons of the year. So if I have all the lands at a particular spot and under particular sources of irrigation, it would be easy for me to cultivate all the lands without the least loss of efficiency and with a minimum number of servants. But it is not so in the case of paddy. Paddy must be cultivated at a particular nick of time. So it would be difficult, whatever the number of servants I may employ, to cultivate a large area during that particular time.

Q.—What is the maximum extent of land which one man can cultivate without loss of efficiency?

A.—It depends on many factors, as I have stated above. If all these conditions are satisfied, he can cultivate nearly 100 acres. Sometimes an able farmer may cultivate even 200 acres if the lands are in one block.

Q.—Will you be able to economize a good deal if you have large farms?

A.—Yes. It would be more paying to the cultivator if he has a large area to cultivate than a small one.

Q.—Is it your opinion, therefore, that it is better to have a large holding than a small one, assuming that cultivation is carried on by paid labour?

A.—Yes.

Q.—You refer to a certain village on page 2 of your written evidence. Can you tell me the total extent of the village?

A.—1,600 acres, both dry and wet.

Q.—How many families are there?

A.—There are 900 families at the rate of four persons in each house.

Q.—Is it not generally taken that an average family consists of five persons?

A.—It is not so in the village. I was the Union Chairman and I know the population.

Q.—What is the average size of holding in that village?

A.—I do not know. There are only 600 acres of nanja lands and the average holding will work at $\frac{1}{2}$ of an acre.

Q.—How many of those landlords have small holdings and how many large?

A.—I have no idea of that.

Q.—What is the amount of rent per acre in that village?

A.—That will come to about 11 kotas per acre, if expressed in kind.

Q.—What may be the maximum yield in the same land?

A.—About 17 kotas. You take $1\frac{1}{2}$ times the landlord's income as the possible yield out of the land.

Q.—You state that the share of the tenant is now-a-days diminishing. Why is it so?

A.—The share is diminishing. The cost is increasing. By unemployment the number of tenants is also increasing everywhere. So, to-day a man who takes a land on lease is worse off than the man who took so some years back. In earlier days there was no competition among tenants. Now because of the rush of tenants to cultivate pieces of lands themselves the landlords have ceased to cultivate their own lands. There is therefore great competition among the tenants and the tenants who were paid 8 out of 21 and now paid 7 actually out of 21. That is the perceptible difference I note at present.

Q.—Is it advantageous to the ryots or to the tenants?

Q.—Have you sufficient evidence for the statement that interest rates the molestations from the landlords.

Q.—Do you not think that these lease-holders gain little if they work on borrowed capital at 12 per cent interest?

A.—In the lease-hold system, the tenants do not so much mind about paying a little more rent even if the rent is increased. Here he has got full control over the land and pays only 1 more in 13 than ordinarily he has to pay. He makes this up by various other privileges opened to him from the land.

Q.—Is it not a convenient loan for the landlord, inasmuch as he could get back his money on the threshing floor? Further, will such sales at harvest time enable the ryot to get the best prices?

A.—For the last two or three years, it has not been the case. Otherwise the price will generally be low. But then there is the reduction of paddy owing to shrinkage if allowed to stand for sometime more.

Q.—That may be. I think normally the cultivator gets less by selling his paddy on the threshing floor. Do you not think that it is hard on the part of the landlords to do so?

A.—But if you allow the tenants or the cultivators to take away the produce and enable them to repay subsequently when the market is favourable, there is no guarantee whether they would not sell the paddy to the toddy shop hardly. The safest course for the landlord is to demand the paddy on the threshing floor.

Q.—Are you, then, enabling them to get the highest market value?

A.—Yes, we enable them to obtain the highest market value on the day.

Q.—If the market value on that day is low, would you allow them to hold their produce for sometime and wait for a more favourable market?

A.—There is not likely to be much difference in the market, even if the produce is allowed to be held, because the tenant pays his rent in kind. Even the merchant expects to get only 18 per cent for the whole year and at the settlement they make a reduction of 15 per cent for merchants profits. That will be the only loss for them.

Q.—Would it not be better for the ryots if some intermediary like the co-operative society are to take the paddy and pay the landlords?

A.—Yes.

Q.—Then, why not the landlord himself do it?

A.—It all depends on the mutual trust and confidence between the landlords and the ryots. That is the very thing that is lacking, otherwise there can be no room for any grievance for either parties.

Q.—You therefore think that the landlords are dealing with the tenants not on pure cash nexus, and that there is little benevolence attaching to it?

A.—Quite so.

Q.—At what rate of interest does the landlord borrow?

A.—He is borrowing at the rate of 9 per cent and lends out at 12 per cent.

Q.—You therefore agree that the landlords profit by their transactions with tenants in two ways, first by lending them at 12 per cent money which they had borrowed at 9 per cent and secondly by insisting on them to pay their rent on the threshing floor. If you start a mutual benefit agency like the co-operative society to help them to market their produce and to lend them for the cultivation expenses, do you not think that the tenants will be better off than they are now?

A.—But it should be noted that the ryots will not have sufficient incentive to open co-operative societies, because they may be losers by mismanagement.

Q.—Is it not the duty of people like you to help them in such matters? You state that the interest on money has lately increased. Is it not due to lack of credit facilities and would not the opening of co-operative societies help to reduce the rate of interest?

A.—The real reason for the increase in the rate is that all the village monies are being drained away to towns, mostly on commercial concerns. I know a major portion of the village money in my taluk has been drained away to the West Coast and the towns in Tinnevely district.

Q.—Have you sufficient evidence for the statement that interest rates have risen higher?

A.—Yes.

Q.—Are you speaking from experience?

A.—Yes.

Q.—Do not you think that even in the towns the interest rates have increased?

A.—The rate of interest in the towns has always been high because the town is a commercial and industrial centre. In village parts it has not been so, before. But now it has increased on account of migration of village funds to the towns.

Q.—Do not you think that in the country parts there is better security than in the town? Then why don't the people invest their money in villages?

A.—Every banker in a town expects to get a net profit of 8 to 12 per cent. He must necessarily charge rates up to 15 per cent to leave a margin for bad debts and risks. In the end he actually realizes, on the average 9 per cent of his capital which he would not get, if he were to lend it in a village.

Q.—Is not his money more secure if he lends it on the mortgage of land?

A.—Ambitious people do not necessarily see to the security. They would even risk their capital to make a big profit.

Q.—You speak of someone in your written evidence, that the father of the present Viceroy—I suppose you mean Sir Charles Wood, the grandfather of H.E. Lord Irwin—made the ryot to pay higher assessments. Is it true?

A.—The recommendation of the Government of India was the ryotwari settlement must be made on a permanent basis.

Q.—You spoke of the marketing of woven cloth made in Tinnevely. Can you tell us how its marketing is effected?

A.—The cloth-weavers themselves take the produce of it from Tinnevely to Tanjore and other places.

Q.—Who is the middleman that finances the merchant and carries on the trade?

A.—The merchants of Malabar.

Q.—Do they come over here?

A.—The cloth-weavers themselves take the produce from Tinnevely to Malabar and Tanjore. They sell to the people in these places through the middlemen who are merchants of the respective places.

Q.—What profit do they generally make?

A.—It is a general fact that the merchant makes a profit of 18 per cent, 9 per cent on the capital and 9 per cent on the produce. You may take this as a rule.

Q.—Who finances trade of this kind?

A.—The indigenous bankers. There are two kinds of indigenous bankers who finance this trade. The one is the small money-lender and the other is the banker. If a merchant does a large business he goes to big money-lenders.

Q.—How many bankers of the first class have you in Ambasamudram?

A.—About 12.

Q.—Are there not people from Kalladaikurichi who finance the trade?

A.—Yes.

Q.—Do they send drafts?

A.—No.

Q.—Are the bankers in Kalladaikurichi doing their business elsewhere than in Kalladaikurichi?

A.—No. They have settled in Kalladaikurichi.

Q.—You spoke of the Nattukottai Chettis in this district and said that you will not be pleased to see them doing business there? Is it not so?

A.—No, I said that their business is not thriving because they have to face a great deal of competition from local bankers.

Q.—Have the bankers in Kalladaikurichi more business in the town than in the country?

A.—They have business both from the interior and from outside. They do not open branches in the interior, but the villagers themselves from the interior apply for loans to them in the town.

Q.—Do you think that the terms of the Chettis are higher?

A.—Yes.

Q.—Do you know what the Chetti's charges are?

A.—The Chettis are advancing to the indigenous banks rather than to private individuals at cheaper rates of interest.

Q.—In the case of these money-lenders, how much do they charge?

A.—9 to 12 per cent.

Q.—What is their security?

A.—Only on personal security men who have not got property are charged a high rate.

I should like to make one suggestion finally to minimise the difficulties the ryots in the villages are suffering under. The land revenue assessment is being collected at a time the money market becomes tight and on account of the several items of expenditure incurred by the people, serious hardship is being felt by the ryots. The items of expenditure incurred by villagers are found in the summer months of the year, and that is a very bad time when Government also press for payment. During that period the money becomes tight. The ryots feel it highly difficult to go in for money. The paddy is not harvested at that time and even if it is done, the market is dull. Taking a concrete example, we have in our village 600 acres of nanja lands. About 70 per cent of these lands are harvested in September. That is the time when the money market is dull. In February and March the market is found dull. If Government instead of collecting their assessment from February onwards in 4 months, divide the period into two instalments, say, one at September and October and another at March and April, that will make collection very easy and minimise the hardship of the ryots. We have nearly to pay 1 lakh and 50 thousand rupees in Ambasamudram during these four months.

The Chairman: Have you made any representation to this effect to the Collector?

A.—Some years ago I moved this matter, but with no effect I say it would be very easy for us if the kist is collected in two instalments as said above.

Mr. Thomas: You have given a comparison of the conditions of a village between two periods, 1900 and 1929. Can you tell me the name of that village?

A.—It is my own village and its name is Ravanasamudram.

Q.—What are the castes of the people living there?

A.—All castes. Brahmans, non-Brahmans, Muhammadans and Panchamas live there.

Q.—What percentage do the Brahmans constitute?

A.—About 10 per cent.

Q.—You say that in that village the expenditure on education is Rs. 1,50,000. What period does that cover?

A.—That denotes the amount spent during the last 30 years.

Q.—What proportion of it has been spent by Brahmans?

A.—I cannot say.

Q.—How did you work it out?

A.—I got the number of men who came out of the institutions and the number of the students that are still studying and worked on my own calculations.

Q.—Do you think that the purposes which you have enumerated and the proportion of the funds that you have given for each are representative of the whole district? I want to know the proportion of such villages.

A.—In the Ambasamudram taluk there are ninety villages and about twenty villages will be of this type.

Q.—Is the habit of using jewellery on the increase?

A.—Yes.

Q.—It has been said to be on the decrease in the towns and just now one of the witnesses said that the habit is diminishing in Tuticorin. Do you not think so?

A.—Probably last year there may have been a decrease. But on account of that it should not be said that the habit is diminishing. What has to be done to compare the increase or the decrease for the last ten years and if the general tendency is to decrease then we can say that the habit is decreasing and not if in one year alone there has been a decrease.

Q.—Taking the past five years what is your opinion?

A.—My opinion is that the statement that the habit is diminishing is not correct.

Q.—Certain classes of people who never used jewels before now use them increasingly?

A.—Every class is now using more jewellery.

Q.—When you say that the increase in income is not very much and that a good part of it is taken up in the purchase of jewellery, is it not clear that they are keeping their money locked up in immobile sources?

A.—That is a habit of the people which is regrettable.

Q.—But seeing that education has spread so much in that village, how is it that the habit of using jewels is on the increase?

A.—I do not know whether education does enough to prevent money being invested in jewellery. Unless the ladies are educated things will continue to be as they are.

Q.—Is it not the men who supply jewels to the women?

A.—For the simple asking the men will provide the women with jewellery.

Q.—Are they so henpecked! Why do women care so much for jewellery?

A.—That is the only kind of property which a woman can hold as exclusively her own. That is the Hindu Law on the subject. If the law is changed I do not think that this habit will continue. In the past money was being invested in gold, but now it is invested in diamonds and there is more of depreciation than before.

The Chairman: Generally diamonds appreciate, do they not?

A.—Now and then they may appreciate in value and the depreciation also takes place. It is always fluctuating.

Mr. Gopala Menon: What are the different kinds of money-lenders in your district?

A.—We know only the indigenous bankers.

Q.—For financing the villagers?

A.—There are two kinds of bankers, the indigenous bankers doing business on a large scale and the small banks which are simply money-lenders. The big bankers accommodate the small bankers and also the general public. They take hundis and also remit money from one place to another.

Q.—Are there not also joint-stock banks in the district such as the Nadar Bank?

A.—Yes. There is the South Indian Bank and one or two other banks.

Q.—And then there is the Imperial Bank?

A.—Yes. There is not much difference between the indigenous bankers and the joint-stock banks.

Q.—Why?

A.—They do the business on the same lines.

Q.—But is there not a difference in the constitution of the two?

A.—Of course there is that difference. Again, there are the balance sheet and other things which the indigenous bankers do not issue.

Q.—Is not the Nadar Bank registered under the Indian Companies Act?

A.—Yes.

Q.—But the indigenous bankers are not registered so?

A.—They are not.

Q.—You say that the money of the villages flows into the adjacent towns. How do you justify that statement?

A.—Recently there have been some failures and the poor people in the villages have been affected.

Q.—Which banks have failed?

A.—The indigenous banks.

Q.—Who are they? Are they Multanis, Marwaris or other professional money-lenders?

A.—Some of them are professional money-lenders.

Q.—That is they are the money-lenders in the village?

A.—Yes.

Q.—Therefore much credit is displaced on that account?

A.—I do not know the effect of it except that loss has been incurred by the people in the villages.

Q.—Do the villagers make any deposits with these money-lenders?

A.—Yes.

Q.—What is the rate of interest they are giving on these deposits?

A.—The banks are generally giving at the rate of 6 per cent.

Q.—You say that some of these indigenous bankers failed and the rate on these deposits went low. What is the rate to which it went down?

A.—To 10 annas.

Q.—That is the leading rate?

A.—Yes.

Q.—What I want to know is this. You say that the villagers sustained hardship on account of the money-lenders. What I want to know is whether the people in the locality had deposited any money with them?

A.—They had deposited the money and they had lent to the banks also.

Q.—What rate of interest do these money-lenders allow to the depositors?

A.—8 to 7½ per cent.

Q.—Do you think that the financial affairs of the indigenous banks are not such as to create confidence in the minds of the public?

A.—Yes.

Q.—Have you any suggestions to make with regard to the creation of confidence in the minds of the people towards these indigenous bankers?

A.—That can be done only by forming joint-stock banks. Some years back I found the moneys being drained away to the towns and I wrote to the Agent, Madras Bank, at Tuticorin, to form a small board of financiers, one in each firka. I suggested that four or five of us would give security of land for an advance of Rs. 25,000 provided they did not demand the repayment of the principal amount and allow us to be dealing with that money in the villages. I thought that with the Rs. 25,000 we could have a volume of business extending even to Rs. 2 lakhs in the village parts.

Q.—That will be the case when you bring a joint-stock bank into existence?

A.—Yes.

Q.—By starting a number of banks do you think you can wipe out the influence of the indigenous banks?

A.—Yes.

Q.—Even then there will still be the indigenous bankers existing in the country?

A.—Yes.

Q.—When such is the case, do you not think that you should create some confidence in the depositing public towards those bankers?

A.—If they would allow their balance sheet to be prepared every year and their accounts audited, they will inspire confidence in the minds of the people.

Q.—Their publication of statements periodically will do much good in that direction. Do you think so?

A.—Yes.

Q.—In your opinion should that be applied to individual bankers as well as to a firm of bankers?

A.—Yes.

Q.—Do you think that the indigenous bankers will agree to that sort of affairs?

A.—My own impression is that they would not agree.

Q.—What is the security now for the depositing public?

A.—As it is there is no security at all.

Q.—Can you allow such a state of things to go on?

A.—It is not left to us I think to interfere with their dealings. I think it will be more beneficial to the public if they allow their accounts to be audited.

Q.—Do you think that the Government can intervene in such an affair?

A.—In such conditions it is the Government that should intervene.

Q.—On what score do you want the Government to intervene?

A.—There is a loss to the public and it is the duty of the Government to prevent that public loss.

Q.—Do you not think that the Government being the custodian of the people's interest in the country should be responsible for the protection of the depositor's interests and that therefore they should intervene?

A.—Yes.

Q.—Should it be by means of legislation?

A.—Yes. Otherwise there is no way of compelling these people to adopt a course which will infuse confidence in the minds of the investing public.

Q.—Do you think then that they will circumvent the law?

A.—We can eschew such a possibility by providing that if a money-lender has his total dealings over a particular amount his accounts should be audited.

Q.—We want only to induce the bankers to publish a statement of their affairs periodically which now they are not doing and you say that the Government has to adopt some measure in the interests of the depositing public. But the question is whether the indigenous bankers would circumvent such a measure or whether they would be agreeable to it?

A.—I cannot say but I think that they may not agree to it.

Q.—On what account do you fear that they may not agree? Is it because their rate of interest will be reduced?

A.—It will probably be like probing into their matters.

Q.—Is it your opinion that they do not like interference in their affairs?

A.—Yes.

Q.—Suppose these indigenous bankers are going to get some sort of help from Government in the shape of money for financing the rural agriculturists. Do you think that in that case they will be induced to submit to this publication of accounts and statement of affairs?

A.—That may be one way of inducing them.

Q.—Some of the indigenous bankers said that they are not getting sufficient help from the Imperial Bank and other joint-stock banks. Do you think that the indigenous bankers' complaint is justified in the absence of a publication of the statement of affairs by them?

A.—But the question is whether the Imperial Bank points to that as the reason for not lending to the money-lenders.

Q.—If the statement of affairs were published by these indigenous bankers do you not think that it will facilitate the indigenous bankers in commanding greater credit?

A.—Yes, it will facilitate the transactions between the Imperial Bank and the indigenous bankers.

Q.—Are you of the opinion that we must afford more banking facilities to the numerous towns and villages which have none now?

A.—Yes.

Q.—Therefore you want more deposits to come into these banks?

A.—Yes.

Q.—If that be your object, do you think that unless the indigenous bankers publish a statement of affairs it will be impossible for them to attract more deposits?

A.—No.

Q.—Do you think that attracting money to the indigenous bankers will be at the expense of the agriculturist?

A.—Yes. Because no agricultural landholder can expect help from the depositors.

Q.—You say that the professional money-lenders are lending. Who are they?

A.—I mean by the professional money-lenders the big indigenous bankers. The small money-lenders also call themselves banks. Such people are found in the village parts.

Mr. Thomas: Do you mean the organized joint-stock banks?

A.—No. I mean only the indigenous bankers.

Q.—Do you mean banks like the S. N. Bankers of Madura?

A.—Yes.

Mr. Gopala Menon: Suppose we attract money to these indigehous bankers. Do you think it will be at the expense of the other mortgage banks?

A.—The indigenous bankers are lending only to merchants, industrial people and the agriculturists. The agriculturists cannot pay such a high rate of interest as the other two classes are willing to pay.

Q.—But they are paying 12 per cent?

A.—Whether they can afford to pay is quite different from whether they are paying. In a competition between these two people the indigenous bankers will favour more the industrial class and the merchants than they will the agriculturists.

Q.—So your fear is whether by helping the indigenous bankers there will be more money in the country for financing the agricultural and other requirements connected with them?

A.—Yes.

Q.—Are you of the opinion that several people are investing their money in lands and houses?

A.—Yes.

Q.—Is that going on a large scale?

A.—Yes.

Q.—Do you think that by that the agricultural loans have been affected?

A.—It is only when the agriculturist landholder finds it impossible to discharge his debt he is selling his lands and the money-lenders purchase them.

Q.—When a sale is brought into effect you will always find that the buyer's money is displaced and the seller's money is released. Would not there be the seller's money always available for some purpose?

A.—Oh, yes; money will pass from one hand to another whether it is by sale or otherwise. It will always be available in the hands of the person to whom it has been given.

Q.—Are you of opinion that there will be money available for investment which has been released in that way?

A.—Yes.

Q.—If banks are brought into existence, do you not think that the rotation of money will be effected much more quickly than otherwise?

A.—Yes.

Q.—So you think that it is necessary for more banks in the country in places where there are no banks now?

A.—Yes.

Q.—Your view is that they must be brought under a system of control?

A.—Yes. If there is a system of control, there will be public confidence raised and the public will be prepared to deposit their monies in these banks and take money from them and the bankers will be in a position to lend money at a low rate of interest.

Q.—Do you not think that in the rural parts the indigenous bankers will oppose such a state of things?

A.—Without any *quid pro quo* they may object to the system of audit being enforced.

Q.—When they come to know that they are going to be a link with the central money market, will they oppose?

A.—That will be an advantage to them and they may not then object.

Q.—In that way, by making them as a link with the central money market, say at Madras, do you not think that they will be amenable to these conditions?

A.—If they know that the accommodation is favourable I think they ought to be amenable.

Q.—What are the important commercial products of this district? You say that the producers have no facility to sell their products. What suggestion have you to make in that direction?

A.—I produce cotton and I am able to sell it in the mill, but I find several persons growing cotton like me but selling their produce through intermediaries who sell it to the mills.

Q.—Are they not getting a fair price?

A.—If there are intermediaries, naturally the price will be a little less.

Q.—Is it your idea that the intermediary should be wiped off? Is the commission they are earning now not a reasonable return for their labour?

A.—I simply state the fact.

Q.—What is the remedy you have to suggest in the case of those people who are unable to sell their products to the mill direct?

A.—Sugar mills are employing agents. We go and collect wherefrom jaggery is produced. The cotton mills can also employ their agents to go and collect on their own behalf but they do not.

Q.—You want an organized system of marketing?

A.—Yes.

Q.—Do you think there is any possibility for marketing conditions in this district?

A.—It is a jaggery and cotton producing district. As regards produce I think the co-operative institutes for sales may be of great use.

Q.—Is there no great co-operative institute?

A.—No.

Q.—Is there any godown system in existence now?

A.—Only for jaggery godown system; but cotton is worked under different system.

Q.—In co-operative societies?

A.—No.

The Chairman: How far is it from Koilpatti?

A.—I am very near the hills. So I do not know of the bigger cotton sales society there. We grow Cambodia cotton. We sell direct to the mills. It is grown as a source of summer crop.

Mr. Gopala Menon: Do you think that it is necessary to have organized marketing conditions to be brought into existence?

A.—Yes.

Q.—In reply to a question put up by the Chairman this morning you told that the primary societies loans do not reach the poorer ryots. What do you mean by that?

A.—I am not prepared to tell you all the details.

Q.—Is it that the primary societies do not give loans freely?

A.—There it is. I have said about it.

Q.—We want to get at it. We have great faith in the possibilities of the co-operative institutions in the countries.

A.—Every reasonable man finds it to be so. When put into practical experience this is the result.

Q.—You are a gentleman living in a village and it is the duty of the people there to start co-operative institutions and help the poor people in the country. After a lapse of 20 or 25 years if we hear a statement from a responsible gentleman that primary societies do not grant loans freely to the ryots it is a thing we have to examine more closely.

A.—Money is not realized by the society. Now coercive steps are being taken to realise from persons who have not received any money.

Q.—Why? You have got the panchayatdar to sanction loans?

A.—I do not know.

Q.—When the co-operative movement was started it was accepted by Government that men of considerable ability and intelligence would take up this movement and work up and redeem the ryots from the clutches of the money-lenders.

A.—People here considered to be respectable had taken the business. Persons who are respectable and considered to be respectable are different.

Q.—Are not the influential landlords interested in their ryots?

A.—Yes. Such ryots would not take loans from the co-operative societies.

Q.—Influential landlords must co-operate in running the societies in the interest of the ryots.

A.—I am a resident of the Ambasamudram taluk.

Q.—Do you not think that men of all classes should step in to increase the material prosperity of the country?

A.—I am anxious about it.

Mr. Thomas: Do you put the blame upon Government?

A.—They should have taken care to give to proper persons.

The Chairman: They mean who?

A.—The directors if not their agents should represent.

Q.—No Government servant has anything to do with the ex-officio members?

A.—When an attempt has been made in a particular place I think the first function of the co-operative officer of the district is to go about those parts and from enquiry they must find out from influential and non-influential persons the best sort of materials he could have from them.

Mr. Gopala Menon: If that be the case, how are you to remove the present agricultural indebtedness?

A.—They will have to find ways and means.

Q.—Only by co-operative help?

A.—Yes. By getting money at a cheaper rate of interest anything can be redeemed. I have suggested in my memorandum the formation of small banks in village parts and the formation of land banks for the whole of the taluk.

Q.—You suggested that Government should help the land bank with a lakh of rupees at 5 per cent. Do you know the steps that the Government has taken with regard to the Land Mortgage Bank?

A.—I wrote this before the Land Mortgage Bank was started.

Q.—Do you not think that the Central Land Mortgage Bank would be able to do work which you have in view?

A.—You will have to accept aid from the Government now and then.

Q.—You know the Government has guaranteed interest 6 per cent on debentures? We are going to raise in the next five years debentures to the extent of fifty lakhs.

A.—Whatever may be the amount you expect the Government to guarantee payment of interest if the land represents a share capital of the company. Then no Government need guarantee.

Q.—That is like banking syndicates in other countries. There land banks are run by people themselves?

A.—I think this will not require guarantee from Government. People will have immense confidence.

The Chairman: Provided somebody contributed to it?

A.—There are people who will do it.

Mr. Thomas: Why not some one start a bank?

A.—To start a bank some money is required. We can register the bank but we have to start it with some capital. If Government gives one lakh of rupees to the bank which has a capital of ten lakhs that can be discharged very soon and the bank can stand on its own legs without further help from Government.

Q.—Have you had any experience about Takavi loans in the Presidency?

A.—No.

Q.—You have got a scheme well organised in the system, Government advance loans for improvement of lands?

A.—I do not know why it is not popular.

Q.—Is there a tendency on the part of the present proprietors to lease the lands in your taluk? Is there a tendency on the part of the ryots to sell out their land and to become cultivators for rent?

A.—They are becoming greater. The number of pattadars are increasing in every village.

Q.—So that some people who formerly did not own any land were owning it. Formerly they were the agricultural labourers?

A.—Yes.

Q.—Are there any peasant landlords in the villages?

A.—There are.

Q.—Who are they?

A.—Officials, merchants and professional men.

Q.—Is it a tendency of men in the town to buy land in the villages?

A.—Not in the village. Professional men are buying land in villages.

Q.—Is there much of transfer of land from the cultivator to the professional men and to the upper classes?

A.—It is not so very patent in several of the villages. There may be cases of transfer but it is not so large to be noted.

Q.—In the villages is there much of land sales in the district?

A.—Yes. They were purchased by the same villagers and not by the money-lenders. There is a distinct class of money-lenders and every landlord will have some money. He lends it out to the other landlords whenever any land is for sale. Such landlords have no disinclination for the land whereas professional money-lenders do not like to have lands.

Q.—Do you know of any case designed by the smaller landlords giving on more favourable terms and circumventing them?

A.—I do not know whether anything is done with designs at all. When the land is offered for sale he may try to purchase for the amount he has advanced.

Q.—Is there a tendency for lands to get more consolidated by the better off ryots or proprietors?

A.—Yes.

Q.—Is there much of fragmentation and subdivision?

A.—Yes. It is only about 15 per cent per acre.

Q.—During the period which you have been observing have you seen much of fragmentation?

A.—Yes.

Q.—Has it reached the last stage? Does it require some inference?

A.—There is one economic question raised. Fragmentation does not affect the condition of the people in the village. The tenant is capable of cultivating two acres.

Q.—The tenant is there to cultivate acres in case the tenant cultivates only small holdings?

A.—Yes.

Q.—Have you ever thought of putting a scheme before the Government in regard to the well irrigation system?

A.—I put it in the year 1914 before the Agricultural Conference that was held in Madras when I was invited.

Mr. Thomas: How is it that the landlords are not taking takavi loans?

A.—They find money here. There is ample money in the country. That is why they are not going to borrow money.

Q.—You are aware that the Government terms are very reasonable and even then people do not take takavi loans?

A.—Yes.

Q.—What about the wells? You say that by means of a dozen wells the system can be improved?

A.—There is great scope for extending the well irrigation.

The Chairman: Can the whole district be irrigated under the well irrigation system?

A.—This stands as the third in the Presidency. There is one peculiarity in this district. In a period of thirty years there are only six years when water scarcity is felt. There is rainfall here in almost all the months. The surface spring is good.

Q.—But it does not mean that we might get sufficient supply of water for irrigation?

A.—You find wells with such good springs.

(The witness then withdrew.)

Monday, 3rd February 1930.

TUTICORIN.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HANRED SULTAN MARICAIR SAHIB Bahadur.

**J. L. ROCHE VICTORIA, Esq., Ex-Municipal Chairman,
Manager, Scindia Navigation & Co., Tuticorin.**

The Chairman: You are a merchant here?

A.—Yes.

Q.—What kind of business are you doing?

A.—We are steamer agents. I am the managing partner of F. X. Pereira & Sons doing export and import business also.

Q.—On what basis? On commission basis?

A.—Yes.

Q.—You export chiefly cotton goods?

A.—No, we export skins, senna leaves and palmyra fibre to America and Europe.

Q.—Imports chiefly?

A.—We import manufactured articles from Europe. We work on indent basis.

Chairman: And the goods pass through you?

A.—Yes.

Q.—And they are shipped to some consignee in Madura?

A.—In Madura and Tinnevely.

Q.—You clear the goods?

A.—We are the clearing agents also.

Q.—You get the documents?

A.—Yes.

Q.—The documents come to you and the goods are handed over on payment?

A.—Yes, only after payment we hand over the documents or deliver the goods.

Q.—Is all this business done on payment only?

A.—In some cases we deliver the documents or the goods without payment, but that is only rarely.

Q.—You clear the goods and forward it to Madura?

A.—Yes.

Q.—And the payment is made through you before the goods leave your hands?

A.—Sometimes they clear the documents from the bank and hand it over to us.

Q.—How do they send money from Madura?

A.—They deposit it in the Imperial Bank and ask them to transfer the amount to our account in Tuticorin. Sometimes they send us a hundi drawn on some merchant here.

Q.—What is the ordinary form of hundi here?

A.—It is an order by the Madura man on the agent in Tuticorin asking him to pay a certain sum of money to us.

Q.—Is that done by the joint-stock banks or by the Chettis?

A.—By the Chettis.

Q.—Is it general that Chettis do that business?

A.—Yes.

Q.—What sort of hundis, sight?

A.—Mostly sight.

Q.—Have you much to do with these nadappu hundis? Generally the hundis do not bear interest?

A.—No, they do not bear interest.

Q.—Have you come across hundis drawn with interest?

A.—I know of hundis drawn with interest. But generally when you take out a hundi, the interest is paid then and there and nothing is collected at this end unless it be that it has not been met on the due date and then interest is collected.

Q.—They do not draw hundis payable after 30 days?

A.—Most of the hundis are sight hundis. Instead of sending us cash they send us hundis, that is all.

Q.—Have you any difficulties with any of the banks here?

A.—Personally we had not had any difficulty except that they are very slow to grant facilities; it requires some influence, interviews with the agent and all that before we are given facilities.

Q.—Are there not several banks here?

A.—There are only two, the Imperial Bank and the National Bank of India. There are two other banks, the South Indian and the Nadar Bank.

Q.—You do business mostly with the Imperial Bank?

A.—Yes.

Q.—Why?

A.—We find it very convenient especially as we have branches in Madura, Quilon and Trivandrum where there are also branches of the Imperial Bank. We find it very convenient to transfer funds.

Q.—Do they give you better terms than the other banks?

A.—They are the only people with whom we are doing business so far and we have not compared their terms with the terms of the other banks.

Q.—You have been a long time in Tuticorin?

A.—I am always here.

Q.—Do you know the chit funds?

A.—Yes, I know of some.

Q.—You know the way they work?

A.—I know the ordinary chit that is drawn once in a month. Everybody contributes to it and gets the lump sum when he bids for it.

Q.—You have got anything to do with them?

A.—I have something to do with them.

Q.—Do you regard it as a sound form of business?

A.—To certain people it is the only form of investment. There the man comes to you every month and collects the amount and when you get the amount he comes to you and pays you the amount at your very door.

Q.—What about the Post Office Savings Bank?

A.—Some people make use of it. It is not everybody who goes to the Post Office Savings Bank.

Q.—Can you suggest any reason for that? If it is a matter of saving will it not be a sounder one than the chit system?

A.—I think it will be a sounder system. But persons, especially women-folk, prefer to go in for these chits. They do not like to go to the post office nor do they like to send anyone else.

Q.—Are there many swindles?

A.—I have not heard of any serious swindle in Tuticorin.

Q.—Which is the most common form, the auction chit or the prize chit?

A.—It is the auction chit.

Q.—It comes to this, correct me if I am wrong, the man who joins the chit fund is the man with very little credit and who cannot raise the amount in any other way.

A.—Yes.

Q.—And every person participating in the chit is more or less persuaded to do it?

A.—Yes, that is exactly the thing that happens.

Q.—You know the nidhis?

A.—I do not know of them.

Mr. Gopala Menon: You export local produce?

A.—Yes.

Q.—And do agency business also?

A.—Yes.

Q.—Do you do this business with the same agent abroad?

A.—Not necessarily with the same man, but in some cases it is so.

Q.—You export it to the agent and also send him your indents which he executes for you?

A.—In certain cases.

Q.—Are the two financial transactions kept separate?

A.—I do not think so; if there is any balance due to us he sends us the amount or if we have to remit to him we send a draft. Anyhow there is a current account between us.

Q.—Do you think that by doing business in that way you make any extra profit?

A.—We save the expense of transmitting the money.

Q.—In the matter of remittance charges?

A.—Yes.

Q.—Do you save anything in exchange?

A.—Yes, sometimes.

Q.—So by doing export and import business the merchant here can make a profit better than otherwise?

A.—Yes.

Q.—Are there many people doing that class of business here?

A.—Not many of them. Mostly they are interested in exports or imports only.

Q.—So this case of combining the two business in one are only rare?

A.—Yes.

Q.—Do you not think that there are houses in London and Hamburg which are interested in the export and import of Indian produce?

A.—Yes, there are merchants especially in Hamburg who are interested in both.

Q.—Do you not think that development of business in that way is much more useful not only to the man who does it, but also to the country which exports the produce?

A.—Yes.

Q.—What facilities would you require for carrying on such business?

A.—I do not require any.

Q.—How do these foreign importers raise credits? Is it through the Imperial Bank or through the exchange banks?

A.—Only through the exchange banks.

Q.—Do you know whether the Imperial Bank handles such business?

A.—No.

Q.—It is confined to the exchange banks?

A.—Yes.

Q.—Do you think that any extra facilities should be given to the people of this country for developing that class of business?

A.—Facilities should be given for raising credits in foreign countries for the importation of goods.

Q.—Do you think that you want the help of a bank when exporting the goods?

A.—Not always, we generally do not require the help of the bank.

Q.—Are there not cases in which such exports are financed on the other side?

A.—Yes, letters of credit are issued on the strength of which the exporter draws the bill of exchange.

Q.—Do you know of any instance in which the exporter in the absence of a letter of credit obtains the finance from an exchange bank up to a certain proportion of the value of the exports?

A.—After the goods have been actually exported we naturally draw on them for a percentage of the value of the goods on the strength of the documents.

Q.—Suppose the price on that consignment immediately drops down. Then the bank will have to collect from you the amount?

A.—That is true; of course we give them a letter at the time of discounting that if the bill is not accepted or paid we will pay them the difference.

Q.—Do you know of any instances in Tuticorin where such foreign bills have not been paid?

A.—I know of cases where they have not paid.

Q.—The exchange banks after they take your consignment advance you a certain percentage of the value of the goods?

A.—Yes, provided we ship against order, but not on pure consignments.

Q.—In the case of firm business are not letters of credit raised on the other side?

A.—Not necessarily. Even if it is a regular case of order, they only authorize us to draw on them through a bank.

Q.—There is no arrangement made by the foreign importing firm to make an advance to you on the security of the shipping documents?

A.—No.

Q.—If you only say to the bank that you are shipping the goods against a pucca order then only the exchange banks advance money to you, I presume?

A.—Yes.

Q.—In the case of your indent business I wish to know the usance under which those bills are drawn?

A.—Thirty days' sight.

Q.—Do you give the documents to them or do the foreign exporting houses draw D.P. bills against them direct?

A.—They draw directly.

Q.—Do you give your documents to your indentor immediately on arrival of the steamer?

A.—Generally they pay the amount and take delivery of the documents, in some cases without receiving the amount we deliver the goods or the documents.

Q.—Do you take a pro-note from them or debit their account?

A.—We debit the account; that is all.

Q.—Do they meet the bill regularly?

A.—They meet the drafts in time.

Q.—In such cases long credit is not required?

A.—No.

Q.—Are there cases in which you had to wait a long time in order to get your money?

A.—The maximum is one month.

Q.—That delay has in no way inconvenienced your financial transactions?

A.—It has not inconvenienced us because the amounts are very small. At the same time we make them understand that such things should not be repeated.

Q.—Suppose you are having a big turnover, you give them the goods on account. Then you will have to wait for a long time before you get the amount?

A.—Certainly I will have to wait.

Q.—In such cases is it not better that you take a hundi or a bill from them and discount such bill with a bank and with that money meet your dues?

A.—Yes, it will be a good thing. It will facilitate the person who stands guarantee or who has met the draft on the due date at the bank to find money immediately.

Q.—These bills are only negotiated through the exchange banks?

A.—Yes.

Q.—Have you known any case in which such business is done by the Imperial Bank?

A.—No.

Q.—Have you had any occasion to note drafts on account of the party having not paid the amount on the due date?

A.—We had no occasion.

Q.—Do you know of any cases in which such unpaid bills have been noted?

A.—If the bill is not paid on the due date then we are asked to pay the amount and we pay the amount to the bank.

Q.—Suppose the party fails to pay the amount of the foreign bill of exchange on the due date, which that party has accepted. What action do you take on such bills?

A.—We give them only a notice to say that their bills have not been paid.

Q.—Have you had any such cases?

A.—Only a very few.

Q.—In order to legalize it it is necessary to note the bill and have it protested by a notary public?

A.—I do not know of it.

Q.—What I want to know is whether you had to go to court for non-payment of such drafts?

A.—We had no occasion to go to courts.

Q.—The bill should be legally noted?

A.—Perhaps it is done by the bank.

Q.—In the absence of the agent, the bank will do it. If there is the agent, what is the procedure?

A.—I do not know. All we used to do was to meet the bill and then ask that merchant to pay the amount to us.

Q.—Do your customers pay cash to you or issue cheques for the payments which they have to make?

A.—They pay cash mostly, not cheques.

Q.—Is it because they are small retail dealers?

A.—Generally our man at Madura goes and collects the amount from them and they pay him cash from their safes. These amounts he deposits in the bank there to our credit.

Q.—So the cheque habit has not grown to that extent?

A.—No.

Q.—You said many people are not in the habit of putting their money in the savings banks. What is it due to? Is it because of the difficulty of going to the post office?

A.—Yes, especially among the womenfolk.

Q.—Apart from that what about the labourers and the workmen here?

A.—I do not think they sufficiently know the benefits of a savings bank account.

Q.—Have you got any proposals to make regarding the encouragement of the post office savings bank system?

A.—I think it should be encouraged, but I have no definite proposals.

Q.—Do you think that if the form on which it is drawn is made negotiable it will help the opening of more savings bank accounts?

A.—Some such thing should be done in order to make the drawing of the amount as easy as possible.

Q.—The small labourers and the other middle-class people are not in the habit of putting money in the savings bank?

A.—No. Whatever amount they get, they try to clear away their old debts with it and they have little left to put in the savings bank.

Mr. Thomas: You are a partner of Messrs. F. X. Pereira & Sons?

A.—Yes.

Q.—Does your firm borrow money at all?

A.—Occasionally we do.

Q.—From whom?

A.—From the Imperial Bank in Colombo.

Q.—Do you borrow from the Nattukottai Chettis?

A.—Not in Tuticorin.

Q.—Nor from the Marwaris?

A.—No.

Q.—In your transactions with the Imperial Bank do you find any difficulty in dealing with it?

A.—In Tuticorin so far we had no difficulty.

Q.—You have a certain amount of credit allowed you?

A.—Yes.

Q.—You were the chairman of the municipality?

A.—Yes.

Q.—In that capacity had you any occasion to learn of any difficulty experienced by businessmen in this town?

A.—So far as I know, merchants find some difficulty with regard to taking loans from the Imperial Bank.

Q.—What kind of difficulties are they?

A.—The Imperial Bank wants more than one signature and they find it rather difficult to get another to sign as guarantee for the credit.

Q.—But most joint-stock bankers insist on that?

A.—Yes, all do it, it is not a peculiar feature of the Imperial Bank.

The Chairman: I suppose, it is not the peculiar vice of the Imperial Bank?

A.—No. With regard to their loans also, they are trying to restrict the amount. They only give 50 per cent of the loans applied for.

Mr. Thomas: Apart from that, are there any difficulties in transacting loans?

A.—I do not think in these days there is any difficulty in transacting loans. It was only in former days that people found it difficult to approach their agents, but now every man is free to go and see the officers and transact matters.

Q.—Have you any idea about the dealings of Nattukottai Chettis?

A.—I have no idea.

Q.—What is the nature of your business here?

A.—We are agents for Scindia Steam Navigation Company.

Q.—Do you carry on any trade in Trivandrum?

A.—We occasionally trade in Trivandrum.

Q.—Have you had any occasion to learn the difficulties of the fishermen in Tuticorin?

A.—Most of the hard-earned money of the fishermen is now taken away by the middlemen who lend out money to these people at exorbitant rates of interest. They are not able to save anything and what little money they could save is not even enough to meet expenses connected with marriages and for rainy days. I would therefore suggest that a co-operative society specially intended for the fisherfolk to lend them at cheap rates of interest may be started.

The Chairman: Do not you think that it is rather a precarious business? They are a sort of people who cannot co-operate in any undertaking and you must make them co-operate, if you are to start a society for them. What assets have they to offer for the loan?

A.—They have got only their daily catches.

Q.—What security is there that they will catch and give it to the co-operative society? Have they got any boats and nets or anything to give as security?

A.—It is only for buying the nets and repairing their boats that they want credit. The only security that they can give, is to sell whatever amount of fish they could get daily to the society.

Q.—Why are they indebted?

A.—For daily catches they go to the middleman to whom they hand over whatever is caught for their daily maintenance. Whenever there is an extraordinary occasion like marriages or anything like that, they go to the middleman and get money from him. Those debts accumulate and they are not able to square them up by their daily catches. The interest increases day by day and ultimately they find it impossible to repay it all.

Q.—What for should the co-operative society lend them money?

A.—Just to clear their debts.

Q.—But they cannot repay?

A.—The society should take that responsibility, and see that the debt is repaid somehow.

Q.—Can they run those societies?

A.—If it is merely for fishing, it is rather difficult. They must be encouraged in other industry also, e.g., spinning.

Q.—But a fisherman cannot fish and spin at the same time?

A.—During the off-season, he can do.

Q.—I doubt if they could make efficient spinners? Can they not make nets during the off-season? Do not you think that spinning is not a profitable business after all?

A.—It may be, but there is not any other substitute for it.

Q.—Can they repay, will they repay, and who is going to run the society for them? What guarantee is there that they will run the society successfully?

A.—I know that there are various difficulties, but it must be our duty to find out some solution for the problem.

Mr. Thomas: Are there not any Christian Missions who undertake this work now?

A.—In some places they have attempted and I do not know whether they have actually succeeded much.

Q.—Where do these fisherfolk live?

A.—They have got their own quarters in the town itself.

Q.—For those who are in the town, they would probably have no difficulties for nets, etc. But what about those who are in the interior?

Q.—Are they accessible?

A.—They are all in some sandy tracts near the sea shore.

Q.—Does anybody lend them money now?

A.—Those who are willing to lend them are doing that to get as much out of them as possible.

Q.—Who are the people that lend, generally?

A.—They belong to their own community.

Q.—On what terms do they lend?

A.—They lend money and charge 3 pies for every one rupee lent, per day.

Q.—What is the maximum that they can lend?

A.—Rs. 50 to Rs. 60 at the most.

Q.—Do the creditors insist on their fishes being handed over to them?

A.—Yes.

Q.—Does any one check that trade?

A.—Nobody.

Q.—The merchant who sells it make money by way of commission as well as difference in price, is it not so?

A.—Yes.

Q.—You referred to the rates of interest charged by creditors as being very high, i.e., 3 pies per day per rupee. Has this matter been gone into by the Co-operative Department?

A.—I do not know anything about that. I placed that matter also before the Fisheries Committee. My complaint was that the Fisheries Department is not doing as much for the fisherfolk as they must do. They did not come to Tuticorin, but I went to Madras and gave evidence before that committee.

Q.—Who owns the boats used by fishermen?

A.—In some cases, the fishermen themselves own it. But in majority of cases, these middlemen own the boat.

Q.—Are there any chits going on among the fisherfolk?

A.—Many of them have not got any. But some of them run some ordinary monthly chits.

Q.—Do they work successfully?

A.—In some cases they do work successfully, where there is better organization. But that is the only way for saving, if any.

Q.—What do you consider are the difficulties in regard to chits?

A.—The chit organisers must go and collect the amount from every fisherman and unless they press for it, the chit cannot be run successfully. The fishermen are quite disorganised and addicted to drinking. Saving is therefore a difficult matter for them. Therefore, the collection of subscription from every fisherman seems to me to be a difficulty which stands in the way of chits working successfully.

Q.—Is it not an incentive to saving?

A.—Yes.

Q.—Don't you think that there must be some check or other exercised on chits so that they may not lead to swindling?

A.—Yes.

The witness presented the following Memorandum after his examination was over.

I.—Credit facilities for small industries.

6. (a) *Small industries—Fisheries.*—Most of the hard-earned money of the fishermen is now taken away by the middlemen who lend out money to these people at exorbitant rate of interest. What little money is saved by these people is not even enough for rainy days and expenses on occasions like wedding, etc. They are therefore unable to square up completely their debts, which are sometimes handed down from father to son. I would therefore propose that a co-operative society specially intended for the fisherfolk in Tuticorin and surrounding villages be started in Tuticorin to lend money to them at cheap rate of interest for buying net threads, etc. The fishing trawler which was introduced by the Government may be useful for fishing in deep sea, in places inaccessible to fishermen, but if it were to work in a place like Tuticorin it will surely affect the fishermen's living. What is required is expert advice in improving existing methods of fishing by the use of nets and other appliances. During the slack season, the fishermen usually spend their time in repairing the nets and other implements. During this time hand spinning and weaving could be encouraged among them with a view to increase their income.

Housing conditions of fishermen also needs financial help on co-operative lines.

II.—Indigenous banking.

Indigenous banks require all the encouragements the Government can give, as it is through them the investing habit of the people can be built up and the much needed funds can be found to finance internal trade. Indigenous banks will help to create confidence in the people and prevent the hoarding habit. The Imperial Banks should not unduly interfere with the indigenous banks; on the other hand they should render all possible help to these banks.

There must however be a healthy competition among the banks so that merchants may be benefited in getting funds at reasonable rates of interest. Instead of opening many branches, the Imperial Bank would be well advised to work in conjunction with firms doing local banking business.

As far as I know Foreign Exchange Banks are doing very little to help the trade of Indian Concerns. It would be better if these banks were made more useful to the country and they should work on lines clearly defined for them.

III.—Investment habit and attraction of capital.

Investment habit is slowly growing among the people. The people cannot be blamed if they are slow at it, as years of unsettled state of affairs in the country, illiteracy among the masses and want of proper facilities for investment are responsible for want of confidence exhibited by them. Investment habit can be further encouraged by

(1) providing secured facilities in the indigenous system of banking ;
and

(2) encouraging insurance habit. In this connection the indigenous insurance companies are only ones which will confer lasting benefit to the people and it is through such companies the people must be advised to provide for their future.

The abolition of stamps on cheques has certainly encouraged the cheque using habit, but cheques are still mostly used by the monied class. Other encouragements in this direction can be given by

(1) the more expensive use of vernaculars in signatures and form of the cheques ;

(2) making business hours in banks more elastic ;

(3) banks adopting a liberal attitude on the method of using cheques instead of making a fuss over insignificant defects in the endorsements ; and

(4) the banks giving interest on current accounts on minimum balances and better rate of interest for fixed deposits on short periods.

In making the banking habits popular I consider propaganda work quite necessary.

(The witness then withdrew.)

The Committee adjourned to meet at 11 a.m. on Wednesday, the 5th February 1930 at Coimbatore.

COIMBATORE.

Wednesday, the 5th February 1930.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.O.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur HAMMED SULTAN MARICAIK SAHIB Bahadur.

M.R.Ry. Rao Bahadur T. A. RAMALINGAM CHETTIYAR
Avargal, B.A., B.L., Advocate, Coimbatore.

Oral Evidence.

The Chairman : You are connected with various co-operative organizations in this district?

A.—Yes.

Q.—You are the President of the District Co-operative Federation?

A.—Yes.

Q.—You are also connected with the District Bank, the Co-operative Institute, the Tamil Nadu Federation, the Cotton Sale Society at Tiruppur and also the land mortgage banks in this district.

A.—Yes.

Mr. Gopala Menon : Can you state whether in your opinion the Indian joint-stock banks finance more the internal trade than the external trade?

A.—My idea is that, so far as trade in the biggest sense of the term is concerned, the Indian joint-stock banks are not financing it because they have not got sufficient finance. But if you refer to the village trade they are financing it now.

Q.—You therefore say that the financing of the trade between the village and the local town market is mostly done by indigenous bankers, like the Sowcars, Marwaris and Nattukottai Chettis and other professional money-lenders of the village?

A.—Yes. It also depends upon the goods. Some time back I read a paper before the Madras Economic Association and I have made an exhaustive study of the subject in that paper. It depends upon various other factors also.

Q.—Can you tell me what part the Imperial Bank and the joint-stock banks play when goods are handled from the village to the town.

A.—So far as the Imperial Bank is concerned, it advances money to the factory owners. Let us for example take cotton as the product to be sold. The goods first come from the villages to the local market. At the local market itself there are a number of factories. The factory advances money on the cotton and then gins. The ginning factory is handled by the Imperial Bank and other joint-stock companies.

Q.—Do you think that sufficient financial help is given by the Imperial Bank or do you want greater facilities for financing internal trade of the kind?

A.—We certainly want greater facilities and there is no question about that.

Q.—You say that the indigenous banks are financing internal trade from the village to the local town market and thereafter the Imperial Bank comes and finances the rest of the business, is it not?

A.—Yes.

Q.—Is there any difficulty for the indigenous banks advancing money on goods.

A.—They rarely advance money on goods. They give it mostly on personal security.

Q.—Do you think that it is really beneficial to the banking concerns that they should combine their banking business with trading or are you of opinion that they confine their attention to the banking business only and leave the trading in other hands?

A.—It is not possible to dictate anything like that to the banker. What could be practicable is that we can urge the banker to give more facilities for financing and make money available more easily for business. That may help a great deal of internal trade.

Q.—My point is, whether you would advise a banker to confine his activities to banking business only or allow him to trade also?

A.—If we are going to keep the two functions separate and exercise proper control over both of them, certainly it is better.

Q.—You want greater facilities to be given to the internal trade than the external. Do you think whether it will be possible to create a definite relationship between the rates of borrowing of the Imperial Bank and other indigenous banks?

A.—That will depend upon the money-market.

Q.—We find that in some cases certain banks are lending at 4 per cent more than the Imperial Bank?

A.—That is a question of undertaking risks.

Q.—In England and other countries the lending rate generally will only be 1½ per cent more than the bank rate. Is it possible for us by legislation to bring about a fixed relationship between these two rates?

A.—It will depend upon the security that is given. We often find that the rate of interest varies even with the same money-lender.

Q.—But if a central reserve bank is brought into existence, the joint-stock banks and the indigenous banks will be made scheduled banks and therefore they can expect some sort of support from that institution. In such a state of things, do you think that a fixed relationship between the central banks and the other banks will not help to provide sufficient banking facilities to all classes of people and put a stop to the usurious rates charged by the money-lenders?

A.—So long as security is what it is, and human nature being what it is, and one man more speculative than another, any attempt to fix any relation cannot be carried into effect.

Q.—Do you not think that when these indigenous bankers and others get to know that they can get financial help from the central reserve bank they will not help towards arriving at a settlement between their lending rate and the lending rate of other institutions?

A.—In any organized society some such thing is done.

Q.—I want to know in what way these two rates are so dissimilar and unequal that it would be difficult to treat either of them alike?

A.—There are people who will be prepared to borrow at any rate, even with such restrictions.

Q.—The cry is that the indigenous bankers are not getting sufficient accommodation from the central institution. It may be that the central institution does not know their financial position. Is it not a fact that they are not getting their accounts audited and making it public?

A.—I do not know what really stands in the way.

Q.—What I want to know is whether we can bring these banks into an organized banking system. We want a central bank in this country and if possible to create a link with all others in order to have an organized banking system. For this purpose audit will help matters. Will not the smaller banks allow that kind of audit?

A.—In an organization like that, you cannot bring in the money-lenders. In most cases what happens is that they deal with their own money. They do not take deposits nor do they depend on the banks to finance them. They would not conform themselves to any rules nor would they combine into an organization, and I do not understand why such people should be brought under such organization?

Q.—But the cry in the village is that the ordinary ryot does not get any help from the central bank and for this we have to create a link with all banks. Is it your idea that it is difficult to bring these small bankers in the organized system?

A.—My idea is that there ought to be some reason for it. If you are going to restrict your organization to persons who are taking deposits, who are negotiating bills and things like that, it can be done.

Q.—We want them to have a wider field of operation and we want the public to know their state of affairs and thus get more help from the big financial institutions. We want to help the indigenous bankers eventually so that the people may have more confidence in them. Can you suggest any method of finding out a way of rendering them greater help by making them a creditor to the central reserve bank on condition that they should submit their annual accounts and thus create confidence in the public?

A.—If you are going to differentiate between banker and banker you can bring under your organization only such of those who take deposits up to a certain amount, you can impose an audit on those people and it is necessary and desirable. But if you want every money-lender to be brought under your organization, I think it is difficult.

Mr. Gopala Menon : Referring to the marketing conditions of the district, can you tell me whether the ryots are getting a fair price for their produce under the present system of marketing?

A.—During the harvest season the prices are very low and increase by about 30 to 40 per cent gradually after the harvest season.

Q.—Is it due to pressure of money?

A.—The kist season coincides with the harvest season. The ryots have to find money to pay kists and to meet various other expenses at that time. They have already spent all their money towards cultivation and naturally they are forced to sell their produce at a reduced rate.

Q.—Is it due to want of intelligent understanding of market or due to any other cause?

A.—It is due to the pressure to meet various demands.

Q.—Are there many intermediaries between the village and the local market?

A.—Now I think the middlemen are being eliminated.

Q.—Do you think that correct weights and measures are used by merchants in villages?

A.—Not always.

Q.—Do you think whether there are any defects in the present system of marketing?

A.—Yes. I would like that some sort of co-operative agency should undertake that work.

Q.—Has any effort been made on co-operative lines in the direction of marketing in this district?

A.—We have got one co-operative society at Tiruppur with a branch of it at Udumalpet. It is mainly a loan and sale society and deals mostly in cotton. We advance money to the ryots for cultivation through the primary village societies and as soon as crops come this Tiruppur society takes charge of it. We get them to Tiruppur, gin them and sell them for a fair price.

Q.—There are a number of co-operative societies in this district and also a co-operative institute here. Do you think that that institution could be utilized for the purpose of collecting information regarding the market price of various crops for the people?

A.—I do not think it is possible. It is only a small school. In the first place we have not got sufficient agency to undertake that work.

Q.—We are feeling the difficulty of the want of a central bureau of information. Cannot that institute be made an agency for collecting data for the central bureau?

A.—Who is going to pay for it? The institute should have sufficient staff to collect the price in different villages and different markets and then issue a publication. It will involve much expenditure and there is not sufficient fund to run the institution to undertake such work.

Q.—As a result of the Co-operative Committee's recommendation, do you not think that greater stimulus can be given to co-operative operations in the future. When are we going to mend ourselves and how are we to bring about the dissemination of marketing knowledge to the people of the country? What some people told us was that this institution can collect the information and issue that to the public. Do you not think that it is possible?

A.—At the present stage, I do not think it can undertake anything except training students for co-operative work.

Q.—One of the objects of this enquiry is to gather information with regard to the methods of marketing and also to find out ways of affording more facilities for marketing the produce. We should, therefore, in course of time try to bring about an agency for disseminating information regarding the various commodities produced in the country?

A.—It may be difficult for us to undertake that work and it would cost us very much.

Q.—As the co-operative movement is gaining strength, I think it is possible that these institutes will be able to do work in that direction?

A.—The present object of the institute is limited.

Q.—In what way could you increase the possibilities of these institutions to achieve the object in view?

A.—It is only a question of money. You want the teaching institute practically to be converted into a research institute with also a central bureau of information. It is a question of money. If you are prepared to finance it on a large scale we can develop.

Q.—How can we get the information?

A.—You cannot depend upon the primary societies for all that information. Probably you will have to depend more upon the supervisors and people like that. You would not be able to get into touch with the primary societies. In several places there are loan and sale societies. It is our supervisors who go out and make the primary societies work in several cases.

Q.—What kind of control have the district banks over these loan and sale societies?

A.—They lend money. They are inspecting the places now and then.

Q.—But under the influence of the district banks can you not get the loan and sale societies to do the work we have in view?

A.—Loan and sale societies will certainly help you.

Q.—With the help of the co-operative banks and the primary societies combined will we not be able to get information from the villages?

A.—You will have to depend upon the paid officials.

Q.—Paid officials as secretaries, I suppose?

A.—We have got supervisors.

Q.—Is it time now that we should have whole-time paid secretaries for the co-operative work or can we go on with honorary workers as now?

A.—The District Bank has got really a paid secretary. You do not call it a pay but an honorarium.

Q.—Do you not think that a fully paid man in the office would bestow more attention to his work?

A.—That is what is being done generally. We have got an honorary secretary who has to work from 11 to 5. If he does not come, we ask him to come to the office.

Q.—What about the link between the primary societies and the loan and sale societies in the district? Cannot these two pass on the information to the central bureau of information through the institute?

A.—This cannot be done without extra expenditure.

Q.—We want a perfect agency?

A.—If you are prepared to spend money, we can have it.

Q.—Do you experience any difficulty in the transfer of funds to the interior for purchasing commodities?

A.—There is always trouble except where you have got a branch of the Imperial Bank.

Q.—Do you not transfer money by hundis now?

A.—What can we do with the hundis in the villages? We want cash.

Q.—There is difficulty in places where you have not got branches of the Imperial Bank or the treasury. You find it difficult to remit money. Are you of opinion that fresh agencies might be brought into existence for that purpose?

A.—Yes.

Q.—Do you not think that these indigenous bankers would do that sort of business, and they can very easily transfer funds from the towns to the villages?

A.—We want better facilities to be brought for the transfer of funds where there is no treasury or the Imperial Bank.

Q.—What is the method by which we can effect this?

A.—By having more branches of the bank.

Q.—Have you got bankers who will encash these bills?

A.—The indigenous banker practically takes the place of a bank.

Q.—Your idea is that small joint-stock banks or indigenous bankers should be made to do that work?

A.—At present our banks do not do those things.

Q.—Do you mean to say all joint-stock banks?

A.—Yes.

Q.—Is it not your view then that such banks should go into the interior and open branches?

A.—Provided you convert these local banks into a new class of banks you have in contemplation.

Q.—Are there any handicaps to co-operative societies financing the agricultural operations and the stocking of produce for better price?

A.—The difficulties are first money, second want of godowns and the third proper inspection.

Q.—Any godown system prevalent in these parts?

A.—Except in loan and sale societies there is nothing.

Q.—Is the middleman an essential element in the market?

A.—We can eliminate him.

Q.—How?

A.—By loan and sale society.

Q.—What are the causes for the present high rate of interest ruling in the country?

A.—It is due to scarcity of money.

Q.—Any other causes?

A.—There is a lot of speculation and lot of risk and for this they charge a high rate. You have to charge a high rate of interest and that reacts on the other transactions. You lend out for a risky job at 2 per cent per month and another man absolutely sound comes in. Then you think after all you may make a reduction of eight annas.

Q.—Is it due to the contraction of money in the market?

A.—To a certain extent want of facilities.

Q.—Do you think that Government borrowings in the form of treasury bills have any effect on the money market? What is the general view about it?

A.—You find that the money market is depleting. In any way we could have utilized it for trade. It is an old question. It may all depend upon this. If they withdraw money when we want it we feel the pinch.

Q.—Occasionally you think that such loans are depleting?

A.—They may.

Q.—Have you any suggestions to make by which loanable capital can be made more available?

A.—The idea of thrift ought to come in and the people should learn the habit of banking.

Q.—Is it possible for the banks in the towns to create more money for the purposes of trade and industries?

A.—It is one of the complaints that the Government takes away money when money is wanted. The kist season and the busy trade season coincide. We want money. A lot of it is drawn away by the Government. That has got a tremendous effect. The Government may collect the money later. It can be collected.

Q.—What do you mean by saying that the Government can collect the money later?

A.—I say the Government is collecting the kist, at any rate in this part of the country, from February to April. That is the time when we want money for trade purposes. At the same time you know that the Government will not be very much affected if they collect kist by the end of June or July. I believe that the present dates were fixed when the Government considered the produce as security for payment of kist. That theory has gone. The Government no longer looks to the crop as security for payment. Now they are looking to the land as security. The Government will not lose anything by postponing the collection for a couple of months. That will help the trade to a great extent. The ryots will get the benefit of the full price and also the trade will have money. Now a lot of money is drawn away by the Government.

Q.—You want the kist to be collected later then?

A.—Yes.

Q.—Will it not interfere with the budget?

A.—That is not an insuperable difficulty. For instance your budget season ends with 31st March but the fasli year on which the land revenue system is based ends with 30th June.

Q.—Where do the local bodies invest their money now?

A.—In most districts they are investing in co-operative banks.

Q.—That is helping the co-operative movement?

A.—Yes.

Q.—Does a portion of the civil court deposits and the money of the local bodies also come to the co-operative banks?

A.—Yes.

Q.—You want then that they should put immediately all the money into the co-operative societies?

A.—That will depend upon the necessity of local bodies. They are not going to help you at their expense.

Q.—Have you heard of any spurious banks being started?

A.—Our district has got some spurious banks. There is absolutely no doubt that we want some sort of control on these nidhis. There is a lot of trouble with regard to them. They are only nominally registered for a particular amount.

Q.—Can you suggest means by which protection can be given to the depositors against these spurious banks?

A.—There should be a proper audit by the Government. As regards fees for the smaller banks they should be borne by the Government. There is a difference between joint-stock banks and nidhis. With regard to the nidhis there is none to look into their affairs, and this system is not safe. Suppose a man takes Rs. 1,000. He borrows Rs. 900; Rs. 1,000 in shares stands in his name. He can also draw his share money by giving three months notice in some banks. What appears as capital should be there as capital.

Q.—Some of the nidhis are trying to convert the share capital into subscribed capital?

A.—Some are trying to do monthly chit business.

Q.—We are told that the Insolvency Act is full of loopholes. Have you got any suggestions to remedy the Act?

A.—It is not an Act which has to be put into force in the mufassal. It is based on quick realization of properties and things like that, the very object of the Act, is that there should be no competition among creditors and that the money may be realized to the best advantage which is never done. A fraudulent debtor gets advantage under the Act. He swells the amount of debts by spurious pro-notes in the names of his own relations and friends and the creditors get nothing but he goes on enjoying the profits from his properties. It requires radical amendment. The purpose of the Insolvency Act is not served. In a banking organization the Imperial Bank is fit to serve as a banker's bank. There is a complaint that they are differentiating debtor from debtor. It is neither a commercial bank nor a banker's bank.

Q.—Suppose we want to bring about a connecting link between the Imperial Bank, the indigenous banks and the joint-stock banks? Can you make suggestions for co-ordinating these institutions?

A.—The Imperial Bank as it now exists can serve as a central organization. It should not work in competition with other banks. We cannot have a central bank which is also doing individual work.

Q.—There are foreign insurance companies and exchange banks in the country. Are you for imposing any restrictions on their operations to make them retain the profits they make in India for the benefit of the people in the country?

A.—Their deposits ought to be here. They should keep here a portion of the profits.

Q.—Are you for imposing any restrictions?

A.—I would say that the security and other reserves ought to be kept in India.

Q.—They have come here for the purpose of financing the trade of the country which other joint-stock banks are not now doing?

A.—You will be certainly entitled to keep such trade in the hands of the local people and impose restrictions upon them.

Q.—Suppose you impose restrictions upon them. Will not then the trade be inconvenienced for want of exchange facilities and importing facilities?

A.—I do not think they will suffer much.

The Chairman : Will not the trade suffer?

A.—If we remove one of the facilities for financing the trade you will have to pay a higher price for your exchange. They can utilize our banks. Only to develop our banks we may give additional facilities to them. Our banks may not be able to work as much efficiently as foreign banks. By giving some sort of preference we can develop our banks. If you want to show any preference it must be done mainly by Government. We can have branches all over India. Instead of European banks coming here we can have branches of our banks in London and other places.

Q.—Your point is this, if we impose restrictions on foreign banks and give some sort of preference to Indian banks they will come into existence as exchange banks in India and in other places?

A.—We do not want to deal with European banks if we have our branches.

Q.—You want those banks to keep a portion of their capital raised in the country to be kept here?

A.—Yes.

Mr. Gopala Menon : You know that these banks are financing the exports and imports. With regard to the insurance societies we can impose restrictions that they should utilize their profits here but with regard to the exchange banks it is not a question of restriction ; but you want preference to be shown to the Indian joint-stock banks?

A.—The Government can do a great lot. They can be treated on equal terms with London banks. It is only in that way you can develop.

Q.—Our banks are not now doing exchange business and for that purpose you want the Government to give them preference for financing the exports and imports of the country?

A.—Yes.

Q.—The balance of trade is brought over by these exchange banks in the shape of gold?

A.—Gold is never brought here. The balance of trade is struck in the London exchange.

Q.—Still the balance comes in the shape of sovereigns. It is never worked out like that?

A.—That is no doubt the theory.

Q.—Of course they are keeping a portion in currency reserve but still another portion of it is coming to India. The people could have banked their money and could have utilized it for the purpose of doing exchange business or developed banking institutions. If you impose restrictions upon the exchange banks will it retard their progress?

A.—You cannot really impose restrictions. You can give preference to our banks so that they may develop.

Q.—They have not taken up to exchange business?

A.—They will have to, by taking advantage of facilities given.

The Chairman : What facilities?

A.—The Government can transact business through them and leave their money with them. The people also can use them for their business.

Q.—How?

A.—The Government's credit can be used through them.

Q.—Your suggestion is that the Government should finance foreign trade?

A.—I did not mean that in the beginning ; but I would not be against that, because in other countries that is what is being done.

Mr. Gopala Menon : Is it because they have no foreign branches?

A.—Yes.

The Chairman : How many of your banking firms in Madras, like the Nattukottai Chetti firms, have got branches in London?

A.—I do not think there is any.

Mr. Thomas : I think you said in reply to an earlier question that the facilities for getting advances on goods are not very great here. What is the cause of that? I find that in other countries not only commercial people but even farmers can get loans on their goods and they create and readily discount commercial bills. How do you account for that?

A.—The difference is this. In the trade centre itself there is a lot of money advanced on the security of goods. But in the village there is always the difficulty of moving the crop.

Q.—You say that the difficulty exists in the village only?

A.—Yes.

Q.—Is there no difficulty for the smaller merchants to create such bills and discount them?

A.—There are no bills whatsoever in these parts. What they do is simply to borrow the money and execute a pro-note.

Q.—Is it the practice in Tiruppur as well?

A.—Yes.

Q.—What about Erode?

A.—There are a few Marwaris who lend money and take bills.

Q.—They are merely accommodation bills?

A.—Yes.

Q.—But the Marwaris deal in other business as well? Do they not?

A.—Yes. In this district there is not much of the Marwari business either.

Q.—Is not this the chief cause of the great disparity between the bank rate and the market rate? Did you say in reply to a previous question that there is great disparity between the bank rate and the market rate?

A.—I did not say so. What I said was that between individual lendings there will be a lot of difference.

Q.—Is not that difference due to the disparity between the bank rate and market rate or one aspect of it? While certain classes of businessmen could borrow at the Imperial Bank rate, others who are perhaps as sound have to borrow from the bazaar at much higher rates of interest?

A.—That difference is being reduced now. In the olden days there was a lot of difference.

Q.—But is the reduction so very great?

A.—I think that there is a substantial reduction. Now, for instance, on the security of goods you can get money in the Tiruppur market at 12 per cent per annum and on personal security the rate varies from 14 annas per cent to something like 2 per cent per month.

Q.—But if we can introduce a system of commercial paper, it will enable the businessmen to get advances on goods and will make trade proceed faster and more smoothly than before. Do you not think so?

A.—I think they are getting used to it.

Q.—Does the Imperial Bank deal with many businessmen in this district?

A.—It is financing the ginning factories.

Q.—And a good many others get loans through the Marwaris?

A.—It is only in a very few cases that money is got through the Marwaris. The Imperial Bank has direct dealings with the ginning factories.

Q.—Have you considered the possibility of transforming our hundi merchants into proper bill-brokers? At present they are mostly carrying on lending operations?

A.—The merchant is advancing to the man who produces and takes the goods and sells them and has for him only the difference in the prices.

Q.—How do the cotton producers in the district raise their loans?

A.—Such of those who can afford not to borrow loans do not borrow. But those who require money take advances from the factory owners.

Q.—Do they borrow before the goods are ready?

A.—In the old days when one man combined money-lending and trading he used to lend money and contract for purchasing the crop. But now we have not got such money-lender traders. On the other hand the co-operative societies are coming in and they are prepared to advance money and take the produce and sell it through the loan and sale society.

Q.—To what extent?

A.—There are 20 societies for the Avanashi-Tiruppur area doing such work.

Q.—What class of people resort to these?

A.—The middle class agriculturists.

Q.—What is the size of their holdings?

A.—It will be about 3 acres of garden land and 4 or 5 acres of dry land on the average.

Q.—Do these sale societies employ experienced men to transact their business?

A.—We have a merchant who is the secretary and who knows the market.

Q.—Does he sell it to the ginning factories or in the open market?

A.—He sells it in the market.

Q.—Is there an organized market in Tiruppur?

A.—Yes.

Q.—How is the market run? Is it run on the lines of Sholapur or Berar?

A.—No.

The Chairman : There is no weekly market?

A.—No.

Mr. Thomas : Do you think that there is need here for an organised market system?

A.—I think it is not necessary.

Q.—Have you been able to get the top prices in the sales of the co-operative sale societies?

A.—Oh, yes. We never suffer in that respect.

Q.—You say that the prices generally improve after the harvest and are low at the time of the harvest. Is it true of cotton also?

A.—The effect on cotton would not be the same for the reason that its price is controlled by the world market.

Q.—What about paddy?

A.—It applies to paddy.

Q.—Has it been the case during the last two years?

A.—If you take the account of a man who is dealing largely in paddy you will find that the difference between the market rate at the harvest time and the rate three months later would be something like Rs. 2 per salarai.

Q.—Do you know that during the last two years the prices went down after the harvest?

A.—That may be due to other causes.

Q.—Are you aware that rice is being exported from Rangoon?

A.—We do get Rangoon rice sometimes but I do not think that we got Rangoon rice last year.

Q.—You agree that there are not at present adequate facilities for carrying on internal trade in the Presidency?

A.—Yes.

Q.—Do you think that the co-operative movement can do much in that line?

A.—It can if it is properly organized.

Q.—Do the urban bank or other co-operative banks in the district discount bills of exchange for the members?

A.—We do not deal in exchange bills at all.

Q.—What do you think of the system of co-operative banks, especially urban banks discounting the bills of the members and thus facilitating the remittance of money? Do you think that this function might be taken up by co-operative banks?

A.—I think it will be too much for them.

Q.—Is it because you think that it is essentially the function of commercial banks that you are against it?

A.—Yes, and the co-operative societies cannot undertake such work.

Q.—Do you think at any rate, that in places where there are no joint-stock banks co-operative banks might assume some of the functions of commercial banking?

A.—I do not want the co-operative societies to do such kind of work. If they take to it, then they may lose. For one thing the bank rate is not very attractive.

Q.—Do the societies give fairly high rates of interest on deposits?

A.—No. They give you 4 or 5 per cent, but I can get 10 or 12 per cent on immovable property security.

Q.—But will such investment be readily realizable? Is it not locked up?

A.—So long as I get a good rate of interest I do not want the money.

Q.—But businessmen may want the money at any time and might like to keep it liquid?

A.—The depositor is not always a businessman.

Q.—Even among non-businessmen are there not many who are looking forward to purchase some property when it is available?

A.—If you have got your eye on the property you generally lend on it as security and allow the interest to accumulate until the principal and interest approach the value of the property and then you will in the natural course of things get it.

Q.—Is that the usual practice in Coimbatore? Do you think it is a fair way of purchasing property?

A.—The question of morality is difficult to settle in these matters.

Q.—I see. Have you had much to do with nidhis?

A.—Yes.

Q.—May I know if the nidhis are mutual benefit associations?

A.—Mainly it is a sort of joint lending. A number of people having money to spare join together and do joint lending.

Q.—But, that is also what the joint-stock banks do?

A.—Yes. But the difference lies in that the nidhi really helps one or two people to become office bearers and is started for that purpose. It is just to oblige a particular man that his friends and other people join as shareholders. The capital shown is only a sort of nominal figure.

Q.—Are the nidhis not financing agriculture to a certain extent?

A.—It is not much though they lend money to agriculturists also.

Q.—Do they not lend on mortgage at all?

A.—Ordinarily they do not, except a few banks.

Q.—I found from the balance sheet of some nidhis that they lend much on the security of land. Do you think that such business is sound?

A.—That is the trouble. There are a number of difficulties in the way. It all depends upon the particular man who is running the institution.

Q.—Is the depositor well secured?

A.—That is the trouble.

Q.—Do they take any loans on security of their shares and allow the withdrawal of shares?

A.—Yes.

Q.—Do they keep any reserve fund at all?

A.—Yes. A few banks do really run on very well. I can mention to you four or five banks which run on satisfactory lines on the basis of joint-lending. But in regard to the other banks I cannot say the same thing.

Q.—Since you are a co-operator, may I know whether in the villages you would develop the co-operative societies and oust the money-lenders from their trade?

A.—Yes.

Q.—What about the organized indigenous banks in the towns? Would you oust them?

A.—Once you organize co-operatively, then there is no room for any other institution.

Q.—In your view, then, co-operative banking must take the place of the whole indigenous banking?

A.—Yes.

Q.—Where is the room for private initiative?

A.—I think the initiative required is in the co-operative field.

Q.—Do you think that there would be great financiers and entrepreneurs of industry under a system of co-operation?

A.—I think there is room enough for any amount of initiative.

Q.—What is the experience of the village co-operative societies here?

A.—We have been confining ourselves mostly to the credit work and as long as that is the case there is not much room for development.

Q.—Is there any difficulty in the way of the co-operative societies doing more and more marketing work?

A.—Yes.

Q.—Do you depend on honorary workers? Does it enable you to obtain the services of trained hands?

A.—I am a believer in paid work.

Q.—Is there much transfer of land from borrowers to money-lenders in this district?

A.—There is very much of that. Practically the whole of the land in the village changes hands once in forty to fifty years. You first lend the money, then the interest accumulates, and then you become the owner of the land. In your turn you begin to borrow or the generation begins to borrow and the same story is being repeated.

Q.—Does it mean that there are more absentee land-owners?

A.—In this district it is the middle class man who is both the owner and the tenant.

Q.—Is tenancy increasing at the expense of ownership?

A.—It changes. Generally the land does not go to the money-lenders from outside. What happens is that some man in the village itself gets money somehow or other and he gives the money on his neighbour's land and ultimately purchases the land. In his turn he becomes the owner of the property and along with it also a borrower.

Q.—Are there not others who consolidate holdings by such purchases?

A.—There are a few who do that.

Q.—There are others who cannot cultivate their land and lease it out to tenants?

A.—Yes. But there is the other side of it. That is that the joint family when it becomes divided results in the division of the property as well.

Q.—The ownership of land is changing hands, the wealthier classes purchasing from the impecunious. This results in the increasing ownership of land by non-cultivating people—a class of capitalists?

A.—Except probably in the wet areas in this district the cultivator and the owner are more or less the same person.

Q.—But you said that the land is passing hands constantly?

A.—Yes, but I also said that the land does not pass into the hands of outsiders.

Q.—But even if they are insiders, the wealthier persons do not themselves cultivate much land, do they?

A.—They may but a change takes place within the next generation.

Q.—But is it not after a considerable time?

A.—There will be partition in the family and the result will be that the lands change hands.

Q.—So there is a constant flux, but is it so rapid and so tangible as you seem to suggest?

A.—I think it should be correct. I have seen many villages and there it is only a few families that remain without work.

Q.—How can we increase saving and thrift? Have you any proposal for increasing the investment habit in the country by means of Investment Trusts?

A.—Such may help the professional class in towns. There are also a number of people who do not know how to invest their money. It might help them.

Q.—From the point of view of thrift, is it not an advantage for a small man to join a chit or even a nidhi of the right type?

A.—By co-operation also we are trying to do that. We are trying to collect share capital and build up reserves and things like that.

Q.—But does co-operation not compel a man to save? At any rate, is there not greater incentive for saving among those who have joined chits? Co-operative societies as they are now constituted do not provide for what I may call compulsory saving?

A.—There is little room in the co-operative field for that sort of thing. But our idea is that each society should be self-supporting and it can only be so if they help the people to save money.

Mr. Muthiah Chettiar: In raising the question of controlled audit you said that so far as money-lenders are concerned it is not necessary, but so far as indigenous bankers are concerned it is necessary. Would you make it obligatory?

A.—What I said was that where they take in deposits above a certain limit and where they do discounting of bills, in such cases this audit ought to be compulsory. If a man does his business with his own capital only or if he does business only to a small extent this audit is not necessary.

Q.—Why?

A.—It involves trust. When one man discounts a bill or takes in deposits it means that people have confidence in him and if his audited accounts are available then there will be more confidence and safety and it is only for such that I want some control, not in the other case.

Q.—What limit would you suggest with regard to deposits?

A.—I would say about Rs. 40,000 to Rs. 50,000.

Q.—So a person who takes in deposits to the extent of Rs. 50,000 should come under that control, whatever be his capital?

A.—The basis of deposits is more important than his capital.

Q.—Suppose a man has a capital of Rs. 10,00,000 and takes in deposits to the extent of Rs. 50,000 would you ask him to come under the control, or one man who has a capital of Rs. 1,00,000 and takes in Rs. 50,000 deposits?

A.—I will say it is as necessary in the case of the one as in the other.

Q.—There may be some indigenous bankers who are able to attract deposits from some of their friends to a large extent. Why should you place them under the control?

A.—The restriction is only in the interest of the public.

Q.—There may be a certain amount of people who may be willing to invest money with the indigenous bankers even if there is no control? Why not give them the liberty to join the control or not?

A.—Yes, that can also be done.

Q.—You said in connection with some other thing that instead of placing restriction you should give facility to the banker who comes under the control?

A.—The man who comes under the control will command more confidence and people will come to him in larger numbers.

Q.—But do not compel those people who do not want to join the control to join it?

A.—If a man comes under the control that can be started and those people who go to a man not coming under the control will do so at their own risk.

Q.—Why not leave it to them to join the control?

A.—That may be worked out in the ordinary course of things and the banker himself would find it very convenient to come under the control.

Mr. Gopala Menon: Is it not necessary that those who take in deposits should be brought under the control?

A.—It is not necessary.

Q.—In the interests of the public do you not think it necessary?

A.—But the public who know that a man has not come under the scheme of compulsory audit need not go to that man.

Q.—But in some places the people are so ignorant that they may not be able to know who is the controlled man and who is not the controlled. With regard to persons who come under the control would you authorize the local bodies to deposit their moneys with them?

A.—No, because so far as the co-operative banks are concerned there is the unlimited liability, but with regard to the private man even though his books are audited there may be a lot of speculation on his part; he may have lent money to some persons and lost the whole of that and there may be nothing to fall back upon. He may lend Rs. 50,000 or Rs. 1,00,000 to one man and lose the whole of it, but in the co-operative society an individual will be lent not more than Rs. 2,000 and if a man fails the maximum loss will be only that amount.

Q.—What is the advantage that you give in return for the restriction that you place on him?

A.—The only guarantee is that he is not a fraud.

Q.—You do not want to give him any special facilities for the restrictions and the extra expense he has to incur?

A.—Only to this extent that you give an assurance to the public that he is not a fraud. There is always the risk of loss in trade and the risk of a man being a cheat. You avoid the one and not the other. Loss he may have but he is not a cheat.

Q.—So far as the persons who come under the controlled audit are concerned, would you allow them special facilities in the central reserve bank?

A.—Certainly.

Q.—Because the controlled indigenous banker will produce a balance sheet that he is reliable?

A.—Yes.

Q.—Some witnesses wanted that warehouses should be established and that warehouse receipts should be made negotiable also. Do you think that the Government should run the warehouses and give certificates or do you think any other agency should come forward?

A.—The Government cannot undertake the starting of warehouses, because it will be beyond their scope. Certainly it will be a great advantage if these certificates are made negotiable.

Q.—But would people have confidence if warehouse receipts are granted by private persons?

A.—Any bank may give it.

Q.—Would banks advance money on a warehouse receipt granted by a private man?

A.—I think so, as the man says I have in my charge so many bales of cotton and will hand it over to the person producing the certificate.

Q.—What will be the guarantee that the goods exist there?

A.—He will be liable to a criminal charge.

Chairman: Would you propose that the key be handed over to the bank?

A.—If the godown keeper is a rich man and people have confidence in him it is not necessary.

Mr. Muthiah Chettiyar: Do you think such rich men would come forward and run the godowns?

A.—Yes. If rich men come forward then the banks can undertake it.

Q.—There are many foreign countries where the warehouses are run by the Government?

A.—It is rather difficult seeing the extent of the country and the amount of goods that will have to be dealt with. You cannot expect the Government to run godowns.

Q.—Why not have godowns in every taluk and make the tahsildar the agent?

A.—It cannot be done. You can better have the money-lenders or the co-operative societies or even joint-stock companies having the godowns.

Q.—Would you allow the village co-operative society to run these warehouses?

A.—Yes.

Q.—Would you allow other banks also to advance money on that or would you allow only co-operative banks to lend on that kind of security? Do you want any restriction as to the agency which finances the produce stored in the co-operative godown?

A.—There need not be any restriction. That warrant can be made negotiable.

Mr. Gopala Menon : The trouble is who is to see that it is worked properly and the thing is there or not?

A.—It will have to depend on the individual's credit and on the reliability of the man.

Q.—Do you insist on getting a deposit from these people?

A.—It is not necessary, because the certificate will be only worth his credit.

Mr. Muthiah Chettiyar : You said the co-operative movement should replace the village money-lender in the districts and also the indigenous bankers in the towns? Is it possible? The co-operative societies have been working for the last 25 years and they have only lent till now Rs. 6 crores. Is it not a proof that it is impossible?

A.—If we have not achieved it in the past it does not mean that it is not possible in the future.

Q.—Then what other avocation can you suggest to the indigenous banker if he is driven out of this field?

A.—He can deposit his money in the co-operative bank and earn interest.

Q.—Do you think these indigenous bankers would come forward and deposit moneys in the co-operative societies?

A.—Otherwise they can enter trade, start industries or develop agriculture instead of depending upon money-lending business. They can do so many other things.

Q.—The indigenous banker in the course of his business comes into possession of land. Is he not anxious to sell that away?

A.—If he comes into possession of land the moment he gets a fair price he sells it away.

Q.—As regards the nidhis there is always the reduction of share capital when one man withdraws his shares. Are not the security to the depositors lessened thereby? What remedy would you suggest?

A.—There ought to be a strict audit and a special actuarial valuation of the assets and liabilities of the nidhi once in three or four years. There ought to be also stringent laws that no loan should be given on the security of the shares of the bank itself.

The Chairman : Have you any idea as to what extent money that has gone into the village and has been hoarded is coming out again?

A.—There is not very much of hoarding in this district. Most of the money is spent in the improvement of land.

Q.—And the savings?

A.—There is not much by way of savings. As a matter of fact agriculture is not a paying concern at all. That is the whole trouble.

Q.—With regard to the co-operative movement is it used by money-lenders to recover their own loans and by lawyers to develop their practice?

A.—There have been a few cases in which money-lenders got in for purposes of recovering their loans, but such cases have been very few.

Q.—With regard to this institute at Coimbatore do you think it can be developed in the direction of a School of Agricultural Commerce? Now you have got pure commercial schools in one or two places and there is the Agricultural Department dealing principally with the technical side of agriculture?

A.—What I have been thinking of is that each village wants workers not only for co-operative credit but for all sorts of work in rural life. For that purpose for training such workers I would like to have an institution which will teach everything, agriculture, sanitation, hygiene, a little bit of administration, co-operation and things like that. I am trying to have a school like that started in Madras.

Q.—The difficulty is there are two branches of business, one in which the outlay is commercial and brings back a return and the other in which the outlay would bring back no immediate return such as public services but which ultimately may bring in a return?

A.—You cannot differentiate like that.

Q.—There are these district boards and other bodies spending money for amenities and not for getting any direct return benefit. In the present co-operative movement the district banks and the provincial bank at the head are engaged in utilizing their money for purposes which bring a definite return. How would you finance this activity which will not bring a return? Do you not believe in the serious risk of the co-operative societies utilizing its funds on activities which bring no return?

A.—I do not fear for that. I consider co-operation as a certain attitude of mind. It runs through all human relationship. It does not stop with the society and this and that.

Q.—Is there no risk of the funds being used without regard for sound financial principles?

A.—It will not be for this reason that you can keep separate accounts, e.g., the Government gives a separate grant for adult education and the account for that is kept separate and the grant is separately accounted for.

Q.—There is a separate society for that?

A.—In the Punjab they have separate societies, but in the United Provinces both objects are worked together in one locality. I want the institute to develop into a research institute.

Q.—And teaching too?

A.—Yes, teaching with research, research at the back of teaching.

Q.—Who is going to teach them?

A.—I think you can get teachers, but not many students.

Q.—The classes here are kept up to their strength. Are not they?

A.—Yes, because everybody studying expects to be immediately employed. Unless we give them prospects of immediate employment they will not come forward to join the classes.

The Chairman: Are you of opinion that there is improvement in the co-operative banking generally?

A.—The people who actually run the bank are better trained. We are insisting upon their being trained and they are generally trained men and know what to do?

Q.—What about the overdues in this district? Have they not been decreasing?

A.—So far as this district is concerned, it is decreasing. We cannot promise that it will be so for ever, because it depends on the monsoon. The situation has been improving, but now the outlook is not very hopeful. This year there has been failure again. Unless there is a good rain in the next three or four days, cotton will not yield anything. We cannot even realize a 2 anna crop out of it, and there is no water available for irrigation also.

Q.—A good deal of money has been lent as takavi loans, has it not?

A.—Yes.

Q.—You want the improvement of the co-operative movement and better irrigation facilities?

A.—Yes.

Q.—Do you think that the existing system of co-operative audit is satisfactory?

A.—I cannot say it is quite satisfactory, but it certainly is better than what it was some time ago.

Q.—What do you think about the audit by chartered accountants? Is that satisfactory?

A.—They simply sign. The Secretary is practically the man who audits the whole of the accounts. In some banks I know the Secretary takes the balance-sheet to some auditor in another place and he simply signs and gives a certificate to the effect that it is correct.

Q.—Would it be possible to control audit except by Government?

A.—For the moment I cannot think of any other better agency than Government. The Government is really the only agency which can effectively control the audit of the institutions.

Q.—Do you not think that an Association of Bankers started in a central place, doing their own supervision and audit by their staff can effectively undertake this business?

A.—I do not think it is possible for them to exercise any efficient supervision and control over the banks.

Mr. Thomas: So, you agree that some organization is needed for making economic enquiries on the conditions of agriculturists. Do you think that the co-operative institutes might be entrusted with that work?

A.—I am suggesting now that some of the supervisors who are touring in the villages may make some sort of economic enquiry in villages each year. That is what I am going to do.

Q.—In regard to such enquiries, only trained people could undertake them with advantage?

A.—Yes.

Q.—Do you not think that some central institution is needed at the headquarters of the Presidency to guide and co-ordinate such enquiries? Without the guidance of such an expert agency, do you think that the institutes of some central body in Madras which is supplied with experts would not be authoritative in their conclusions?

A.—We should have a society of research in Madras, which will co-ordinate all these activities, draw general conclusions and all that. You may leave the whole work of collecting materials to the local men.

Q.—The existing institutes are useful as teaching centres and an agency for propagandising ideas and training works?

A.—The institutes can do a lot of work, provided they have got the money and material.

Q.—As they are at present constituted, not much research is practicable at those places?

A.—Now they have enough to do. I do not think they can undertake anything more. Unless you give some more men and money, they will not be able to undertake this sort of enquiry.

(The witness then withdrew.)

Wednesday, 5th February 1930.

COIMBATORE.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LIT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. E. S. GANAPATHI AYYAR Avargal, B.A., B.L.,
Pleader, Erode.

Oral evidence.*

The Chairman : You are connected with the Erode Urban Bank?

A.—I have been connected with the bank for the last four years as President and as Director for many years.

Q.—Are you connected with any other banking or financial organizations or nidhis?

A.—I was a shareholder for some time in the Erode Bank, Ltd., which is a joint-stock bank.

Q.—Is that bank run on an ordinary nidhi system?

A.—Yes, it is practically a nidhi.

Q.—Are you of opinion that such nidhis should be encouraged?

A.—That bank was quite successful during the time it worked. It all depends on the personal enthusiasm and interest of the organizers. The original organizer took a great deal of interest in its affairs and it worked well. Now it is not in a very sound condition. It will be the same case with any other organization of that sort. If the successors of the original organizers are not active men, the bank is bound to deteriorate. Hence encouragement must be given to these nidhis so as to secure better organization and men who could take some real interest and enthusiasm.

Q.—With regard to indigenous banks it has been suggested that it might be possible to improve their position by bringing them under a system of control of audit. The only other institution that has control of audit at the present time is the co-operative society. Do you think it is possible to do so?

A.—I have expressed my views clearly in this matter in my memorandum. There are two views. Some people think that the indigenous bankers must be encouraged and protected. I am of opinion that they should be brought round to the level of joint-stock banking or co-operative banking. Their angle of vision at the present time is mainly that of profiteering at the expense of poor agriculturists and other people. They ought to be converted into co-operators and their view of profiteering should be thoroughly changed. The profits of usury which ought to go towards the building up of a basis for thrift among the people, go to strengthen their own organization and impoverish and demoralize the country. I urge that they must be absorbed in some kind of co-operative banking. On the other hand important banking authorities like Mr. Gubbay are of opinion that the indigenous banks are a great factor and that they must be protected. Unfortunately I beg to differ from this view. Their angle of vision must be changed from one of usury and profiteering. I have made my views very clear in my written evidence.

* For written evidence, vide pages 1094—1100, vol. III.

Q.—About the question of audit, do you consider that the system of audit carried on at present among the co-operative societies is good?

A.—It is fairly good, but better audit could be arranged.

Q.—How?

A.—I am in charge of a co-operative audit union here which audits the limited liability societies. As such I think that an independent organization for purposes of audit on an elaborate and detailed basis is necessary. The audit carried on at present by Government through their inspectors is no doubt efficient but it could be made more satisfactory by making it more detailed and elaborate.

Q.—Is the present audit of co-operative societies not sufficiently detailed in your opinion?

A.—With your permission, I may say it is not. It is impossible for the co-operative inspector to verify all information that is furnished during his audit, in the very short time at his disposal. For instance, loan transactions and papers relating to the same, property statements, etc.—all these details are impossible to be verified by an auditor within the time allowed. I therefore am strongly of opinion that there should be a separate organization for the purpose.

Q.—Would it not cost the societies a great deal? Can the societies afford to pay for the audit?

A.—I think the societies must pay for that audit. Efficient audit is an important duty.

Q.—How many days does an auditor take to audit a village society?

A.—I do not say that village societies give any great trouble to the auditor. I am only referring to big urban banks. The village society's audit will require periods ranging from 3 to 10 days, according to the operations carried on by the society.

Q.—Who does the audit of big urban banks?

A.—During the year 1927-28 it was done by the departmental inspector. It gave him very great trouble, but still he was able to do the audit satisfactorily. I hope the audit this year 1929-30 will be very much satisfactory.

Q.—Do you think that the Government audit at present is not satisfactory?

A.—No, I do not make such a statement. The audit by Government Inspectors so far as village societies are concerned is satisfactory enough, but with regard to big urban banks I think it must be improved.

Q.—How long did it take the auditor to audit the Erode Urban Bank?

A.—It took him practically 25 days for the final audit of the bank. In the first instance it presented a lot of difficulties. The staff employed by the bank are not adequate and do not possess adequate knowledge of accounts. The entries were so irregular that the auditor experienced very great difficulties to draw up the balance-sheet. The Assistant Registrar in the end came to his rescue and the audit was completed.

Q.—Do you find that the training given in the co-operative institute here to the staff is satisfactory?

A.—My own opinion is that the training given in the institute is quite good so far as work among rural co-operators is concerned. As regards bank clerks, I do not think that it is sufficient. We have deputed a clerk this year. I have my own doubts whether the curriculum of subjects he has to study will make him an efficient bank clerk.

Q.—Is there not a special class for bank clerks?

A.—I do not know whether such a class has been organized. If one is started like that, I have no doubt that it would be a great advantage to the bank clerks and to the banks as well. The banks will be certainly willing to avail themselves of such a training.

Q.—Do you consider that these students who are trained out of the institute, are really improving the working of co-operative societies? Are they taking any interest in improving them?

A.—It is hardly possible to pronounce judgment in this matter now. It is only recently the school was started and I cannot say what effect it has produced up till now.

Q.—Your view with regard to indigenous bankers is that they should be strengthened or that they should be absorbed into banking organizations?

A.—Indigenous bankers as a class are a valuable factor. They have got local experience and we must make use of them for a better ideal.

Mr. Gopala Menon: What are the different classes of indigenous bankers in your district?

A.—I do not know how far the word banker applies to the class of people known as such: There are Nattukottai Chettis who do not receive deposits but do banking business. There are also Marwaris, Multanis and other classes of people who do regular banking work.

Q.—Do you call Marwaris, Multanis and Nattukottai Chettis as indigenous bankers?

A.—Yes.

Q.—You want the indigenous banker to be trained to be absorbed or to be subordinated to other banks?

A.—My impression is that they should get absorbed as persons who will take up responsibilities in the conduct of the co-operative and joint-stock movements.

Q.—What is their present day relationship with those institutions?

A.—Several of the indigenous bankers carry on business independently without having any connection with them. Some are connected with the Imperial Bank or the Indian Bank. But in such cases their connexion, especially that with the Imperial Bank, is no doubt to their advantage. He stands as a guarantor for distribution of the money from the Imperial Bank without being subject to any sort of control over him. He discounts hundis. He has no restrictions placed upon him. He is able to lend at 12 to 36 per cent.

Q.—I want to know whether they form a connecting link in financing trade between the villages and the towns with other financial institutions such as the Imperial Bank and joint-stock banks?

A.—They form a connecting link. Under the Imperial Bank Act, the scope of work is restricted more from the point of view of security than purpose. No restriction has been imposed upon the indigenous banker who gets the bills discounted at the Imperial Bank regarding the purpose for which he should advance. His money reaches even the agriculturist. His influence is becoming large in the villages.

Q.—Is it possible to wipe out his influence?

A.—Yes.

Q.—You want to create a co-ordination between the indigenous banker, the joint-stock banks and the Imperial Bank?

A.—Yes. The position of the indigenous bankers at Erode is this. There are four Multanis. One of them has got credit with the Imperial Bank to the sum of Rs. 12 lakhs, another Rs. 14 lakhs and another Rs. 4 lakhs. These people go on discounting hundis with hardly any capital. They stand as guarantors. Two persons countersign and one cashes it. He gets the profit. Their attitude towards the indigenous bank is that of a middleman because of his anxiety to distribute as much money as he can. He has no eye on credit. He does risky business. His profits are so large that even if two or three fail he is able to survive.

Q.—He knows the local conditions?

A.—Marwaris coming from Sind do not know much of local conditions. At first they were all doing business independent of each other. They have, however, now combined and exchange information every evening.

Q.—Do you not think that these indigenous bankers are working in areas where banks cannot go and plant an office?

A.—They go and make profits for themselves where there are no branches of the Imperial Bank or joint-stock bank. I do not mean that they do not go to such places and work there. They go far into the country.

Q.—Do you not think that it is better that the work of financing these rural parts should be left to the indigenous banker than to the branches of Imperial Bank or joint-stock banks?

A.—It is a question of sentiment.

Q.—How is the indigenous banker looked upon?

A.—I have been developing a sort of dislike for him. His attitude is bad. His outlook is bad and he has no national sentiment. Through joint-stock banks and co-operative organizations we have been able to keep down the rate of interest.

Q.—Is it possible to wipe out his influence?

A.—We should not wipe him out, though it may be possible. We should try to assimilate him by making him deposit his funds in the joint enterprise and giving him large responsibility in the management.

Q.—You want to see that he works in co-ordination with the co-operative institutions?

A.—Of course if it is inevitable that he should be an independent unit.

Q.—To assimilate him?

A.—It is the best, if possible.

Q.—How can you assimilate? By absorption or by co-ordination with other financial agencies?

A.—By absorption if possible or by co-ordination; he should try to adjust himself to the changing conditions and weals.

Q.—What is your objection for his being kept as a primary unit in a banking Federation if a federation is created at all?

A.—No use unless his angle of vision changes. Suppose a man has to borrow Rs. 2,000. A co-operative bank will work to the purpose for which it is needed as well as to the convenience and repaying capacity of the borrower. None of these are matters for concern with an indigenous banker. He only looks forward to the return of his money with as much benefit to himself as possible. The outlook will be different even in the matter of collection.

Q.—What are your proposals? Can you suggest any way by which he should be brought into a banking federation?

A.—Must be by enforced legislation and control by a central organization in regard to policy and practice. Control by proper audit or inspection is also necessary.

Q.—What is their outlook towards the co-operative movement?

A.—It is true that their business is affected by the growing strength of the movement and they have learnt it. They now look upon with jealousy and suspicion the movement though originally some of them were taking interest in it. The continuance of the indigenous banker with all his singularities is a menace to the growing strength of the movement. He must be turned into a co-operator and absorbed in the movement or should be made useful for financing only where the movement has not extended. I will even go further and make him take charge of the credit side of the movement and carry on the business, if he would bring his resources into it.

Q.—You can probably do it in your area. But what about other areas?

A.—I am not positive that he should be exterminated. I do not want that he should be destroyed. But the only difficulty is about the form of retention if he should be retained in some form. He should have a different vision and a different sphere of operation.

Q.—Your position now towards him is that he is responsible to some extent?

A.—His object is to gain and nothing else; he has no national outlook.

Q.—Is that due to the high rate of interest?

A.—The very angle of vision with which he deals with his clientele will make it clear. He charges a high rate. In the matter of collection he has no sympathy.

Q.—Suppose a legislation to reduce the rate of interest in the country is introduced. Can we in that way bring about co-ordination?

A.—It would be possible to absorb him in that way. We must develop a grip on him. He must be made useful to the society by being made to charge a legal rate of interest.

Mr. Thomas: In your memorandum you have said that capital is shy so far as other kinds of investments are concerned. Now may I know whether this shyness of capital is true?

A.—I have referred in my memorandum to the spectacular effect caused by failures of banks. People have not recovered completely from the effects of banks' failures (e.g., Arbuthnot Bank). There is a rapid tendency now towards resorting to deposits by people who have money, because private lending has turned out to be a most onerous and a very dirty business also. The effects of the Insolvency Act are so demoralizing that any sensible man would be content with a small rate of interest, if he could be sure of his money in a safe concern.

Q.—Have you had any experience of Indian joint-stock banks? Has any joint-stock company succeeded in South India?

A.—I have no conception. The Indian Bank is coming up. It is our duty to see that whatever little money we have is made to flow into the bank for the benefit of the country.

Q.—Joint-stock banks are becoming competitors to co-operative banks. In what way?

A.—The indigenous bankers who are availed of for circulating funds of the large joint-stock banks and the small joint-stock banks that deal directly with the borrowers, are all prepared to find a market for them regardless of the capacity of the borrower and by reducing the rate of interest in the matter of issuing loans. Such a competition exists at Erode.

Q.—You recommend that the joint-stock banks should have their own sphere of activity?

A.—I think that some such restriction should be imposed. As it is, their activities are confined to the towns and extend even to the members of the urban banks. At Erode any member of the urban bank can go to the town bank with jewels and get Rs. 300 or Rs. 400, as loan in no time. Many members of the Erode Urban Bank are resorting to such loans. The town bank lends at 9 per cent. On a mere application with a jewel the loan could be had in no time. The Coimbatore Town Bank is competing thus with the Erode Urban Bank.

Q.—Is it not legitimate?

A.—It may be, but there are the co-operative banks with their ideals. The competition only tends to multiplication of debts that are not for useful purpose and to indebtedness. The co-operative banks do good business.

Q.—In your opinion what should be the principle of differentiation between the joint-stock banks and co-operative banks?

A.—So far as the village is concerned I would not allow anybody to go into the village as there are the co-operative institutions. The urban bank must develop. The Imperial Bank must be prepared to help the urban banks by discounting hundis in the second instance. In the district centres the activity of the joint-stock banks might grow and explore the field.

Q.—Naturally there will be competition?

A.—The field covered by the co-operative movement will be practically limited to the villages and the small towns.

Q.—Would you like to have branches of the joint-stock banks in such centres?

A.—If it exists it ought not to work in competition. Such institutions should not deal with the members of the co-operative banks.

Mr. Gopala Menon: If he gets at a lower rate of interest?

A.—I have no objection for the borrower getting money from the joint-stock company.

Mr. Thomas: Is it your view that urban banks should discount bills?

A.—Yes.

Q.—Are you doing it now?

A.—I have not done it. I will try. It is done in Bombay.

The Chairman: Would you restrict the bills to members?

A.—That is my object. A difficulty comes there.

Q.—How would you restrict their business?

A.—I want this Committee should propose some stamp duty exemption, if the co-operative banks are to discount bills and hundis.

Mr. Thomas: There is great disparity between the bank rate and the bazaar rate. What is it due to?

A.—Because the Imperial Bank cannot have any control against their Marwari shroffs.

Q.—How can we reduce such disparity?

A.—The borrower must get money at a cheaper rate of interest.

Q.—So far as I know the real difficulty in the way is this that we do not deal in proper commercial bills. But assuming that such bills exist, do you think that co-operative banks could do it, without sacrificing their essential principles?

A.—The commercial banks may discount these bills. Probably the co-operative banks can also do it. In India especially, it may be necessary.

Q.—How may we reduce the rate of interest in this country?

A.—If we want to reduce, the Imperial Bank should have dealings with the merchants direct. While it was the old Madras Bank, it had a large volume of business with them direct. Now it has got only a few customers. At that time they were making large profits.

Q.—They now deal mostly through the Multanis or other shroffs. But they are a useful intermediary, if they function as real bill brokers, are they not?

A.—In foreign countries bill-brokers are reasonable beings who are amenable.

Q.—Can you not make them reasonable here as well?

A.—Here the Imperial Bank would finance the Marwari at 6 per cent. He lends at 10 per cent.

Q.—Is not the Imperial Bank prepared to lend to men of standing on reasonable terms? Why do not merchants go straight to the bank. Rather they are satisfied with borrowing on an accommodation bill from a Marwari? If a bill has genuine commercial transactions behind it, why not go straight to the Imperial Bank?

A.—It may be so.

The Chairman: You say in your written memorandum, that owing to excessive control by the department, expansion work cannot be done in the co-operative movement. Can you give us an example?

A.—As the President of the Erode Urban Bank I have been making very many proposals which have been turned round. There was nothing wrong in my proposals as fundamentally opposed to the principles of the co-operative movement. It was something in contradistinction with the policy prevailing. We could be given a chance to try. If the endeavour is successful, it will lead to useful results.

Q.—How to finance these primary societies?

A.—We have been financing even the village societies at first. The urban bank was allowed to do so, under the old by-laws it had. This policy of financing primary societies by the urban bank was continued and several societies were organized within the limits of the town itself. They were enlisted as members by the bank and financed. When model by-laws were introduced for the urban bank after enunciating the policy of opening central financing banks, no provision existed for financing societies by the primary urban bank. The Erode Urban Bank adopted the model by-laws, without probably paying attention to this aspect of the question but continued to keep on the societies as members and finance them. There are about 11 societies on the list. The department wants the societies to be removed from membership as being opposed to its by-laws, as well as the accepted policy of the department. The bank is pleading for a recognition of the old policy in regard to its operation, as that would facilitate an intensive operation within its area of operation, without the danger of unwieldiness. If the bank could offer facilities, there would be about 20,000 men who would come in as members from within the area. For purposes of convenience and better administration, it would be desirable to have them organized into groups and affiliated to the mother bank and it could not conflict with the interests of the central bank.

Mr. Thomas: In the beginnings of a movement of this nature is not the conservative spirit necessary for laying down strong foundations?

A.—Now the movement is not in its initial stage and we have produced sufficient co-operative workers and what is necessary is only a proper pulling up. If that is also there then the co-operative movement may be worked with greater results.

Q.—It is said that co-operators who in the beginning show enthusiasm, lose their interest later or even utilize the movement for some other extraneous purposes? Is there any truth in it? Should we not be cautious in launching upon experiments which have received wide support?

A.—The Penal Code has been in existence long and in spite of that crimes still continue to be committed. So long as the co-operative movement is a mass movement there is bound to be defects here and there. The question is only one of degree. Is the tone of the co-operative movement in good order or not? That is the point with which we are concerned and I may say that the tone of the movement is in very good order. What little defects existed before have been rectified. Every now and then of course we will have to take stock.

Q.—When you spoke a little while ago about the indigenous bankers did you have in mind the distinction between the village money-lender and the organized bankers of towns?

A.—Oh, yes. I do not propose to take all the money-lenders as indigenous bankers, but as I told you in the accepted meaning of the indigenous banker, even persons who do not accept deposits and do not do banking business by means of drawing hundis discounting them, etc., have been treated as indigenous bankers. Even the professional class of people whose business is money-lending but who do not carry on acceptance of deposits, discounting, etc., is classified as bankers. We cannot find many indigenous bankers who do that business. All the Nattukottai Chettis are not doing banking business in that sense.

Mr. Muthiah Chettiar: Have you any idea of the total amount loaned by the indigenous bankers and the money-lenders?

A.—I have no idea.

Q.—It is said that five-sixths of the loanable capital available is advanced to the ryots by the indigenous bankers and the remaining one-sixth only by the others. Do you know that?

A.—If five-sixths of the loanable capital are advanced to the ryots by the indigenous bankers, then the capital of others also might have reached the ryots through the indigenous bankers. I believe that the whole five-sixths would not belong to the indigenous bankers. At least a good portion of that must be other funds passing through the indigenous bankers.

Q.—Do you know the proportion of the borrowed capital of the indigenous bankers of any community to their own capital?

A.—I cannot give any statistics.

Q.—So far as the Nattukottai Chettis are concerned we had information that the borrowed capital is only 20 to 30 per cent of their own capital. Do you accept the statement that there are scores of money-lenders who do not take any deposits at all?

A.—There are money-lenders who do not take deposits.

Q.—Of the total money invested by all money-lenders do you not consider that more than a major portion is their own capital?

A.—I believe that except in the case of the Marwaris and Nattukottai Chetti firms much of the capital of the indigenous bankers is their own. I believe that as a class the Nattukottai Chettis cannot be said to do very much business with borrowed capital.

Q.—What about the money-lenders excepting the Nattukottai Chettis?

A.—Excepting the Nattukottai Chettis, the Marwaris and the Multanis and all other indigenous bankers in these parts, the money-lenders deal with their own capital.

Q.—Why do you not take the big Goundas who deal with an amount of Rs. 5 lakhs?

A.—All other money-lenders have their own capital.

Q.—When I said that five-sixths of the money loaned came from the indigenous bankers, you remarked that most of that money should have come from the banks through the indigenous bankers. But now you say that many money-lenders deal with their own capital. How is that?

A.—When I said that a good portion of the loaned money reached the ryots from the banks through the indigenous bankers I had in mind the case of the present Marwaris and Multanis.

Q.—Do they not get their own money from their community men?

A.—True. Their money in Marwar is available as security for credit being taken here and out of the profits earned here a portion goes to the man who offered security. That is how they do business. At any rate when they come here they do not come with much money.

Q.—Can it not be that the Multani who came and established his business here is only doing the business of a branch of a big bank at Marwar or any other place?

A.—I have not heard that the Marwaris here have got branches elsewhere or that they are the branches of banks in other places.

Q.—Have you not heard of Marwaris bringing money with them when they come from Marwar?

A.—I am not aware of such cases. But in my experience I have not seen Marwaris bringing a large funded capital from their parts for purposes of distribution. In all these questions unfortunately each man has to talk from his own experience.

Q.—Do you agree with the view that the indigenous bankers and the money-lenders have loaned very large sums of money to the ryots and to other people?

A.—Yes.

Q.—Your object is to replace the indigenous banker either by absorption or by something else. Do you want him to take shares in your co-operative movement? Will he have the confidence to invest the money in the co-operative movement?

A.—I do not invite his capital alone for the co-operative movement. I invite his capital and I also invite his management. Let all indigenous bankers join together and let them conduct their business on a joint-stock basis.

Q.—Have you heard that private management is more efficient than joint-stock management, as there is more incentive in the case of the individual to work for himself?

A.—It is because the individual wants to make all the profit to himself. But in the case of the joint-stock enterprise if the service for the work of collection is paid and organized on efficient lines, then, this will also be good enough.

Q.—Then if the collection is not good the financial position also will not be sound?

A.—We have only to refer to precedents in regard to that.

Q.—Do you know that in this Presidency the individual bankers are able to collect money more efficiently than the joint-stock concerns?

A.—I do not know what is taking place in the other parts of the world. So far as this district is concerned, we have no reason to apprehend that the collection work will not be so efficient as in the case of the individual money-lender.

Q.—I put it to you that the indigenous banker of to-day will not be for joining the co-operative movement for 50 years to come from now. How will you legislate for a class of persons who lend a major portion of the money that is actually loaned?

A.—My plain answer is this. I do not possess much faith that by means of legislation alone it could be achieved. What ought to be achieved by faith and as an ideal cannot be achieved by means of legislation. We must make the individual banker understand that if he proposes to continue an individual banker he cannot add one pie more to his fund than if he were one of a joint-stock concern.

Q.—What yield would you consider as justifiable?

A.—The yield of 6 per cent is a bumper crop I would say.

Q.—I may tell you that the investment in the Government promissory notes gives an interest of 6 per cent, and that there is no necessity for taking any risk of lending and collecting and going to court and all that. If that is the case with the Government promissory notes, how do you justify your statement that 6 per cent would be a reasonable yield to the money-lender?

A.—The Erode Urban Bank has got a deposit of about Rs. 4 lakhs and the maximum it offers is 6 per cent.

Q.—My point is when a person can get 6 per cent on Government securities and on deposits on Government bonds and 9 and 10 per cent out of safe investments in very good companies by way of interest and dividends, how can you expect these bankers to invest their money with the co-operative banks and be satisfied with 6 per cent yield?

A.—I do not admit that what you state is correct. In the first place I do not admit that the Government is taking loans at 6 per cent.

Q.—Do you know that the rate of interest on the treasury bills works out to 6 per cent?

A.—No. I have calculated it and it comes to a little less than 5½ per cent. If you are going to have all your money in Government bonds, by all means do it. Then it will come to us from the Government.

Q.—Leave alone the Government bonds. Are there any number of companies where you can get better dividends?

A.—That is why I have been saying that a national outlook is necessary. It is not entirely the self that should be cared for.

Q.—Do you think that your suggestion about the assimilation or absorption is a practical one or is it merely an ideal?

A.—I think that it is quite a practical proposition provided the whole thing is dealt with in the angle of vision which it is necessary for one to have.

Q.—Would you not be content with this, namely, you develop your co-operative movement in any manner you like and let it have its own effect on the rates prevailing in the country and let it have its natural course to run?

A.—I am not one who is enamoured that the borrower should borrow only from the co-operative bank if there is another man to lend to him on the same terms and with the same angle of vision as the co-operative society. If it comes to that I am sure that the indigenous banker would not care to lead a separate existence.

Q.—Will it do if you go on developing your movement as you like and allow the indigenous bankers to exist as they like?

A.—I would like to be allowed to go on without the obstruction on the part of the indigenous bankers.

Q.—But till now you have been going on. Is it not?

A.—Till now they have been nurturing us without knowing whom they were nurturing and what the result will be. I can give you a number of Nattukottai Chettis who were dealing in lakhs of rupees before but now as a result of the co-operative movement are not dealing in as many thousands of rupees.

Q.—Let the movement affect them in the normal course of events. Why do you say that legally these people should be taken or some other thing should be done?

A.—The whole thing is this. There is a Banking Enquiry Committee which is doing something to regulate the growth of the banking movement in the country and I want this aspect should be considered.

Q.—If it is not a practicable thing, shall we rest content with improving the co-operative movement alone?

A.—Else you will have to give up the co-operative movement in the country and consequently the people would be lost in the hands of the indigenous bankers.

Mr. Gopala Menon : If both the co-operative societies and the indigenous bankers work side by side, will that not produce the effect of bringing down the rate of interest by means of competition?

A.—The one will no doubt act as a check upon the other and there is a limit up to which action and reaction can go. Beyond that it would not be advisable to allow it to go. Because of the co-operative movement they give

now at a reduced rate of interest. If to-day they are able to draw away all my customers and if they would be satisfied with a lesser rate of interest and if they continue to do so for some time, then the result would be that the co-operative movement goes down. The conduct of business at reduced rates must be with them a matter of faith.

Q.—Why should the movement go down? You can reduce your rate of interest also?

A.—How long is this race to continue. All that we are trying to do is to make a man not to exploit upon the wants of the people.

Mr. Muthiah Chettiyar: Can you prevent competition under the common law?

A.—I did not say that.

Q.—You said that the Multani gets money from the Imperial Bank at the rate of 6 to 7 per cent. At what rate do the other money-lenders get from the Imperial Bank?

A.—They get it only at an interest of 1 per cent above the bank rate.

Q.—You said that some of the Marwaris have credit to the extent of Rs. 12 lakhs, Rs. 10 lakhs and Rs. 8 lakhs with the Imperial Bank. Do you not think that that credit is not confined to them only but is the total credit for all the branches of the chief firm of which the Marwari represents one branch?

A.—There is one Haribhavandas Sait who has such a large credit with the Imperial Bank and I learnt that there is no other firm of the name either here or anywhere. If his bank were a branch I do not know whether the head office or other branch has got a different name.

Q.—You said that they compete with the co-operative societies?

A.—Yes. Their operation is a competition with the co-operative societies. The Imperial Bank can as well lend to the Erode Urban Bank and float their money through that bank.

Q.—Is there anything now to prevent them from doing that?

A.—None; let them do that.

Mr. Gopala Menon: Have you ever offered sufficient securities and been refused credit?

A.—Yes. The securities we considered sufficient were not acceptable to the bank.

Mr. Muthiah Chettiyar: Is it not due to the fact that the co-operative pro-notes of the agriculturists are not for short-terms, and that the bank wants short-term bills?

A.—In the Bombay Urban Bank it is said that three months hundis are discounted. It all depends upon the line on which co-operative banking is done. An urban bank finances generally only short-term needs.

Q.—You say that these co-operative banks should be given facilities in the central banks or the provincial banks. Do you know that these banks take deposits at six and three months? For long-terms how will they be able to meet their demands? Do you want the central urban bank or the central reserve bank to do that?

A.—I do not want the central or the reserve bank to undertake the financing of long-term needs. It is admitted on all hands that it ought to be by an organization on a different basis, able to draw long-term capital. The central reserve bank ought to be the supervisor, the financier, the parent, the father and the mother, the lifespring in India of banking and to that institution must come the co-operative bank, the joint-stock bank and every blessed activity and it is that which must regulate and co-ordinate all our business.

Q.—You said that persons dealing with co-operative banks ought not to be given any loans by any other joint-stock bank?

A.—Yes, a co-operative bank which takes in a member must be able to satisfy all his needs.

Q.—Have you heard of co-operative societies being taken advantage of by local people, panchayatdars, pleaders and money-lenders?

A.—Yes, also for electioneering. If a merchant becomes a member of the directorate, all his customers who are in arrears are made members and made to apply for loan and get the same. So also with persons who are bankers.

Such cases are still few in numbers and we should not on this account begin to decry the movement. It is not a defect of the movement but a defect of the people.

Q.—What about the pleaders increasing their practice?

A.—In the co-operative field there is nothing to be gained by the vakil, except perhaps he can by working there come into contact with so many people and that may ultimately lead to increase in clientele.

Q.—The vakil may try to recover old or bad debts?

A.—Wherever human feeling is selfish such things will exist.

Q.—Do you know the interest charged by the banks at Erode?

A.—The town co-operative bank charges 9 per cent for loans on security of gold and silver. The urban bank is lending at Rs. 10-15-0 per cent. If the instalments are repaid regularly a rebate of interest is granted and the interest actually paid then is only Rs. 9-6-0 per cent.

Q.—What is the interest on pro-notes?

A.—It may be slightly more.

Q.—What is the percentage of overdues in your bank?

A.—It is about 17 per cent of the outstandings as there is no effective supervision over collection.

Q.—I want to know the rate of interest charged on overdues?

A.—If a man runs into arrears he loses the right to get a rebate, and ultimately has to pay at the rate of Rs. 10-15-0 per cent.

Mr. Hameed Sultan Maricar : You have just told us that the co-operative movement has been advancing money in the rural areas as well as in towns, but can you tell me whether the bank advances money to the smaller merchants in towns?

A.—Yes. One of my ideas is to request the committee to recommend the introduction of an Act for amending the Transfer of Property Act to enable co-operative banks financing small merchants without risk on the continuing mortgage system. Now within the limits to which co-operative societies could finance members, they can finance on the borrowing member executing a deed with immovable property as security. The Registrar once issued a circular to all co-operative societies, to introduce what is known as the 'continuing mortgage system' but there is a defect in that also. If a continuing mortgage deed is drawn say for Rs. 2,000 the man could operate upon it as if it is a current account overdraft and could draw to the extent of Rs. 2,000 without extinguishing the liability fully. The difficulty arises like this. Suppose he borrows to the extent of Rs. 1,000. Two months after he repays Rs. 500 and then again borrows another Rs. 1,500. If in the meanwhile he had borrowed Rs. 2,000 from another person and had executed a mortgage deed to him and that other person had innocently and without the knowledge of the deed executed to the co-operative society advanced to him the money, the subsequent advance by the co-operative society loses the right of priority. That is the difficulty. In the Transfer of Property Act as has been amended recently there is a provision that 'registration implies notice'.

The Chairman : The continuing guarantee agreement would have the same effect. Would it not?

A.—No. Sections 79 and 93 of the present Act protect the innocent person who so advances money, without the knowledge of mortgage or guarantee existing in favour of the co-operative society. He gets the priority for his advance, but I do not know whether in the face of provision in the amended Transfer of Property Act that registration implies notice it would still be possible for the third person to claim that priority for want of notice because it is purely a question of construction and quibbling. If the existing Act is not considered satisfactory to enable the urban banks to do courageous business, it should be amended and the advances on the continuing security should all have priority and all intervening advances should not have priority against the claims of the society.

Mr. Thomas : Is there not some competition between the nidhis and the co-operative societies in this district?

A.—Yes.

Q.—You have got some experience in the working of the nidhis?

A.—Not in the actual working.

Q.—Do you think the working of nidhis is such as to inspire confidence in the public?

A.—Not in all cases. There is always a feeling of insecurity in the minds of depositors. I can refer to two or three cases in the district that ended in failure because they were not able to command public confidence. The Erode Bank, Ltd., is doing only collection work. The Ratna Deepika Nidhi, Ltd., is in a similar condition. Joint-stock enterprises which started with high trumpets have not been able to successfully appeal to the imagination of the people.

Q.—Are the nidhis mutual benefit societies or are they rather commercial banks?

A.—I cannot call them commercial banks in the sense of a true commercial bank. Practically it is a mutual benefit society.

Q.—But they lend to non-members and do practically all the business of a joint-stock bank?

A.—Some institutions have been lending to members only but others there are which advance to non-members also.

Q.—How do they apportion the profits? What part do the directors get?

A.—In some nidhis the directors get a fat sitting fee but I do not know of any nidhi where the directors get a share of the profits.

Q.—You are not aware of the proportion of the profits they get?

A.—No.

Q.—Do you know of any directors who borrow from the nidhis and lend to outsiders at higher rates of interest?

A.—All such abuses that one can possibly think of, may exist but it is only a question of degree.

Q.—Is there much money deposited in the nidhis?

A.—I had myself deposited monies in the nidhis. Several of them are able to draw deposits by offer of higher rates of interest.

Q.—Do you think your deposits are secure?

A.—My motive was a higher rate of interest. A sense of insecurity always prevailed.

Q.—Do you think the nidhis ought to be brought under legislation?

A.—By all means whatever is worth the name of a bank should be brought under legislation.

Q.—Do you think that the Indian Companies Act is sufficient for that purpose?

A.—No. When speaking about the development of joint-stock enterprise I wanted to mention, that in the way in which the Government is exercising supervision over co-operative credit societies, they must bring to bear an effective supervision over nidhis.

Q.—Do you think the nidhis can be transformed into proper joint-stock banks?

A.—They could be converted into joint-stock enterprises and if they are controlled and regulated in the way in which the co-operative societies are done, they would also thrive. As a matter of fact there are defects, but they can be remedied.

Q.—In spite of such defects there are numerous nidhis in this district?

A.—Yes. There are a large number of nidhis in the Coimbatore town and recently some have been started in Tiruppur. In Satyamangalam also there is one nidhi.

Q.—Do they not call for the attention of Government?

A.—Certainly; they do require the attention of Government.

Q.—What kind of regulation or restriction would you suggest?

A.—I said the Government must seek to exercise its regulation by inspection and audit through proper channels. Government should periodically inspect these concerns and bring to light their true position so that the investing public may get an idea of the correct position of the nidhi. The Registrar of Assurances is now doing nothing. He has no power of initiation or inspection and does not call for any information. Every year the joint-stock companies have to file some papers and he simply files them.

Mr. Muthiah Chettiyar : Is there any defect in the present system of land registration?

A.—I have some ideas on that and one is that individual pattas or unilateral pattas should be issued for every survey number with descriptive reference to the property. To-day pattas are issued for several survey numbers and for several persons together, so much so that even a learned man is not able to know sufficiently of his properties. If he wants to know anything he has to go and fall at the feet of the karnam and that officer rarely obliges him. I do not know how it will react on the Government in the matter of cost. If this is done, at least 25 per cent of the present litigation will come to an end.

The Chairman : Are you contemplating a patta as a title deed?

A.—Yes. Whether you consider it as title deed or evidence of title, much of the present litigation arises on account of the ignorance of the people who do not know what they own.

Mr. Muthiah Chettiyar : Would you suggest any way by which good title to property can be given which will not lead to suits saying benami and so on?

A.—It is high time that benami transactions are prohibited.

(The witness then withdrew.)

Thursday, 5th February 1930.

COIMBATORE.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAR CHETTIYAR, B.A.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. R. S. SUBRAHMANYA AYYAR Avargal, Secretary,
The Gobichettipalayam Urban Bank, Gobichettipalayam.

Oral evidence.*

The Chairman: You are interested chiefly in the urban form of co-operation in Gobichettipalayam?

A.—I am the Secretary of the Gobichettipalayam Urban Bank.

Q.—And what you have to say about co-operation is from the point of view of the urban co-operative society?

A.—Yes, from the point of view of the urban co-operative society. I am also connected with the co-operative union and I know something of the work of the rural societies as well.

Q.—You suggest that the sphere of activities of the urban co-operative society should extend beyond the limits of the town. What is the object of the urban co-operative society?

A.—To provide the urban population with finance.

Q.—Would you not be going beyond your legitimate sphere of activities if you start financing those societies?

A.—I do not think so. The Gobichettipalayam union consists of the Gobichettipalayam town and in the suburbs there are five villages. I believe that I am in a position to finance all the rural societies of these villages. And another matter I would like to mention. There was one society, the Puduppalayam Society which is near to Gobichettipalayam town. That society is now under liquidation and is of the unlimited type because they think that the Gobichettipalayam Urban Bank is more helpful to them than the Central Urban Bank at Coimbatore.

Q.—At what rates do you lend?

A.—Rs. 10-2-6 per annum per cent.

Q.—Is there any rebate for prompt payment?

A.—No.

Q.—Are you making very good profit?

A.—Not very big profits. In fact till the year 1927 the bank was not able to pay even the Secretary's bonus properly. In the year 1928 it was possible to meet all the provisions under by-law 55 and this year 1929 there was surplus of only Rs. 150, after making all the payments, viz., reserve fund, common good fund, dividend and Secretary's bonus. Therefore we are not making any big profits.

Q.—What rates are you paying on deposits?

A.—That depends on the period. For deposits for one year we pay 6 per cent, between one and two years 6½ per cent, and for two years and more 7 per cent.

* For written evidence, vide pages 464—472, volume II.

Q.—You think at that rate 10 per cent is the least rate you can lend at and still make a decent profit to build up reserves and pay the staff?

A.—I believe from the working of the society for the past two years that the rate can be lowered a bit but I am not positive.

Q.—Can you lower it below 9 per cent?

A.—No.

Q.—At what rate does the village society borrow from the district bank?

A.—At $7\frac{1}{2}$ per cent.

Q.—You cannot lend it to the local society at that rate?

A.—I cannot lend at that rate unless I have other deposits as well. I am practically rejecting many of the deposits I am getting because I cannot find proper persons to whom I can lend.

Q.—Then why do you pay such high rates of interest on deposits?

A.—The rate of interest before I took charge was between 7 and 8 per cent. First I reduced it to from $5-6\frac{1}{2}$ per cent. But then I thought it was not so encouraging and so I raised it by $\frac{1}{2}$ per cent, i.e., from 6 to 7 per cent.

Q.—The District Central Bank is lending to societies at $7\frac{1}{2}$ per cent?

A.—Yes.

Q.—And they have got sufficient funds?

A.—Yes.

Q.—And they are making fairly big profits?

A.—Yes.

Q.—You are suggesting that the urban banks should finance rural societies at a higher rate of interest than they can obtain finance from the district bank?

A.—I cannot lend at anything less than 9 per cent. It is not always the percentage alone that counts. They find themselves under a necessity to go to other money-lenders as well because of the delay in getting money from the district bank.

Q.—Why?

A.—Because the urban bank does not give them the amount at the time at which they require it.

Q.—I must again ask why?

A.—The reason is that they have to fill up the loan application form and send them to the district bank. They have not got correct forecasts

Q.—Was it not suggested that the society should put in their application for the loans for their approximate requirements sufficiently early and withdraw it at the time they want it? Are they not doing that?

A.—In my union they are not doing it. The reason why correct forecasts cannot be made is that the agriculturists are not able to give us an idea of their requirements.

Q.—Was it not pointed out that the requirements may be roughly calculated for the land of all members at an approximate flat rate per acre?

A.—I do not know of that, but the forecast system is not working in my union.

Q.—Do you remember a circular sent out in 1927 that the urban banks should be utilized for the distribution of money from the central urban banks to the societies?

A.—That is not being done.

Q.—The suggestion was that the village society should keep an account with the urban bank and the urban bank should keep an account with the district bank and that any loan given to the village society should be done by crediting the amount to the village societies current account in the urban bank.

A.—In fact I made that suggestion myself, but it has not found favour with the district urban bank people. In fact I am doing the reverse thing. I am collecting the money from the village society and remitting it to the district bank.

Q.—At present you are remitting cash?

A.—Yes.

Q.—And the central bank sends money to you?

A.—They send it to the society direct.

Q.—So it goes round in a circle?

A.—It goes direct and comes back through us.

Q.—Would it not be sufficient if it was done on a system of credits and the society when it paid an amount to a member as loan merely gave him a cheque drawn on the current account in the urban bank?

A.—Yes, it can be done.

Q.—You have suggested that the urban bank should finance rural societies by lending to them direct in their neighbourhood, is not that strongly opposed by the central bank?

A.—Yes.

Q.—Am I correct in saying that the district central banks are at liberty to borrow from the provincial banks?

A.—Yes.

Q.—And that the central banks and the provincial banks have large surpluses?

A.—Yes, they have.

Q.—Your proposal. I take it, is to divide the work of district urban banks and give it to the taluk urban banks and content itself with a position similar to the Madras Central Urban Bank? What would be the effect of making such a change?

A.—That would have the effect of producing a number of small central banks, which would function more efficiently and with considerably less delay than the district central banks.

Q.—You state that the present system of very big central banks does not help the agriculturists much and that there is very great delay in loans reaching the agriculturists. Is that not so?

A.—Yes.

Q.—Do you know at what rate the district urban banks are borrowing from the Madras Central Urban Bank?

A.—I do not know.

Q.—They are borrowing from the Madras Central Urban Bank at rates between 6½ and 7 per cent and for the deposits from the local boards and municipalities, they allow interest not exceeding 4 per cent?

Mr. Muthiah Chettiyar: In your written evidence you say that the indigenous banks and bankers do help the agriculturists in their own way, but not to any considerable extent. To what extent do they help the agriculturists?

A.—What I mean to say is that the indigenous bankers care more for their own interests than for the interests of the agriculturists. In other words, if they help the agriculturists at all, it is more with a view to profit themselves that they do so, rather than allowing the agriculturists to profit by their lending. The second point is that they do not see that the finance they provide is spent in the right direction, that is to say, they care more for the amount of interest that they receive out of their lending rather than for the amelioration of the agriculturists.

Q.—Do the merchants work hardships on agriculturists by advancing money and taking up the crop as soon as it is harvested?

A.—Yes.

Q.—At what price do they generally take the crop? Do they take it up at the market price or at a lower price?

A.—They generally pay the market rate prevailing on that day, but that is not very advantageous. Supposing for instance the paddy is harvested to-day, and the price of paddy per podi is Rs. 24 and that there is a sure prospect of the price rising up to 27 if allowed to be kept for a month, the merchants only pay the Rs. 24 and not Rs. 27, and do not enable them to hold it for a month. This really works hardship on the agriculturists.

Q.—You say that there is abnormal delay in the co-operative department in getting loans. How do you call it a delay?

A.—It is a very difficult question to answer. There are various processes in which delays are inevitable, but after I submitted this report, I made some enquiries, and it has strongly led me to the belief that if that forecast system which has been circularized by the Registrar is properly adopted, there would be no delay in the disbursement of loans.

Q.—Does it take a long time for an individual to get money from an indigenous banker?

A.—He gets it as soon as he asks for it. Their doors are always open to him.

Q.—As one of the remedies to the present system of co-operative banking, you suggest that the rule of limitation for the enforcement of a loan or decree in civil courts either by suit or by execution may be amended by providing a longer period for the recovery by co-operative banks just in the same manner as the recovery of the dues of the Government. If you have a long period, do not you think that there will be considerable delay in the recovery?

A.—I only want that the period of repayment be extended to three years, in which the utmost delay that will be caused will be only three years.

Q.—If you extend it, do you not think that the debtor will get into a bad habit of postponing repayment. Even with the present rule there is delay in courts and without this, will there not be greater delay?

A.—I do not think that there would be any great delay, simply because the rule of limitation is extended. The main reason is that the management of a bank changes very often and it is difficult to locate responsibility for the default, if any claim is allowed to become time-barred. It often happens that when any loan becomes time-barred, all the directors are hauled up with penalty for such defaults. This is too onerous a job for them and the extension of the rule of limitation will go a great way towards fixing the responsibility.

Q.—You say that the statutory requisite to keep 25 per cent of the deposits for fluid resource purposes may be reduced to 12½ per cent. How will then the bank be able to meet the demands of depositors if they rush in for money at a time?

A.—Depositors rarely care for fluid resources and in many cases the fluid resources at present maintained are superfluous.

Q.—But according to the Act, the banks should maintain 25 per cent of the fixed deposits. Unless you amend the Act, it will not be possible to reduce the amount. And besides will it not lower the opinion of the depositors about the bank, if the fluid resources are reduced?

A.—Even with 12½ I think the bank can conveniently get on with its work, and a shrewd banker will feel no difficulty in meeting any demands at a time. I do not think a bank will lose its reputation merely because of the lowering of its fluid resource.

Q.—You say in one other place in your written evidence that it takes two months for a man to get a loan from the co-operative society. How can you then expect him to wait for two months, if he wants any urgent loans? Is it not an inducement for him to go very often to the indigenous banker?

A.—That is why I say that he goes to the indigenous bank.

Q.—Under these circumstances, do you think you can replace the indigenous banker?

A.—I do not think that the indigenous bankers can entirely be replaced. They will continue to exist.

Q.—At what rate does the Coimbatore district urban bank lend to your bank?

A.—They charge 7½ per cent.

Q.—At what rate do you lend?

A.—At 10 per cent on the average.

Q.—What is the total investment in your bank? How much have you lent outside and how much is the outstanding?

A.—The total outstanding on the 1st February is Rs. 93,000.

Q.—Of this amount, how much is overdue?

A.—About Rs. 6,300 and odd.

Q.—You say that the co-operator may take upon himself the role of the money-lender, the supplier of manure, the consumer of the produce, etc. Does your society supply manure?

A.—What I meant was not that a single co-operator can take all these roles.

Q.—Do you know the rate charged by nidhis to the individuals who borrow from them?

A.—There is no nidhi in my place and I have no connections with any. But I can give the rate which a money-lender charges.

Q.—What will be the net yield of an indigenous banker, taking into account his loss and his expenses towards recovery, etc.

A.—It will be from 15 to 24 per cent.

Q.—To what caste do they belong?

A.—They are Nattukottai Chettis and Goundars and others.

Q.—It is said that the net rate of the gain of money-lenders varies between 9 per cent and 12 per cent on deposits even when their lending rate is 15 to 24 per cent. You yourself also admit that they are only ordered 6 per cent after decree. There is also the court fees and various other expenditure, connected therewith. With all this you say that their return on an average is 15 per cent. How can that be? Should it not be far below that.

A.—I have stated in my written evidence that the average return of 15 per cent is due to various reasons, even though their lending rate and the deposit rate are low enough. It is very rarely that the agriculturist repays them on the due date and therefore the penal interest which is imposed after the due date enables them to realize on their capital about 15 per cent return. Even though their lending rate be $12\frac{1}{2}$ per cent if repaid before the date agreed, yet after the stipulated time it will be raised to 25 per cent and hence the average generally works up to 15 per cent.

Q.—Do they lend large sums?

A.—They lend amounts within Rs. 1,000. Professional money-lender takes care to see that he is not lending large sums. You will have to distinguish between the professional money-lender and the occasional money-lender.

Q.—Do you know whether Chettiyar firms lend very large sums?

A.—I do not know whether Chettiyar firms are lending large sums. They lend only for short periods.

Q.—What will be the rate for over Rs. 5,000?

A.—For Rs. 5,000 it will be between 12 and 15 per cent.

Q.—What will be the rate on mortgages of land and house mortgages?

A.—Professional money-lenders do not lend money on mortgage except when they have to recover their antecedent debts.

Q.—What is the rate charged for mortgaged loans?

A.—I do not think that professional money-lenders do make any difference.

Q.—Occasional money-lenders?

A.—Between 8 to 10 per cent.

Q.—Whom do you call a professional money-lender? Do you call the vakils as professional money-lenders?

A.—If a vakil does like that, then that particular vakil is a professional money-lender.

Q.—At what rate do the occasional money-lenders lend?

A.—There again there is the difference.

Q.—8 to 10 per cent if on mortgages and from 12 to 18 per cent if on simple bonds sight?

A.—Yes.

Q.—You agree that the higher rate of interest is only for small amounts less than Rs. 1,000?

A.—Yes.

Q.—Do you have a secretary and directors?

A.—Yes.

Q.—What do they do?

A.—There are seven directors. I have to depend upon one or two directors for one jurisdiction, or circle, upon another for another circle and so on.

Q.—So you must avoid such bad lending?

A.—It is very difficult.

Q.—Could you not prevent the competition between the joint-stock banks and co-operative banks?

A.—I think not.

Q.—Can you not prevent the competition between the co-operative banks and the indigenous bankers?

A.—No.

Q.—You say that co-operative banks should be exempted from income-tax. Do you not think that it is partial?

A.—It is to popularize the institutions.

Q.—Why should they be given preference? Do you not think that it will adversely affect the joint-stock banks also?

A.—The joint-stock banks give and receive a higher rate of interest which is to compensate for the money paid as income-tax.

Q.—Whoever prevents him from depositing in a bank which pays a higher rate of interest?

A.—That is left to himself.

Mr. Thomas: In your part of the district is there much passing of land from the borrower to other persons on account of indebtedness?

A.—When a person is over head and ears in debt he sells.

Q.—Does land pass from agricultural classes to non-agricultural classes?

A.—I do not think there are many cases.

Mr. Gopala Menon: Are there any landlords in those parts who are not able to sell their lands or able to redeem their land or pay their interest?

A.—I think there are some.

Mr. Thomas: On account of being heavily involved in debt are they unable to dispose of their land? In such cases, is the transfer made to non-agricultural lands?

A.—No. Such people want to sell their land. They may get better price at the harvest season.

Q.—In such cases do non-agricultural classes also buy?

A.—Yes. But merchants also buy them. Dry lands and garden lands are purchased only by agriculturists. Wet lands alone are purchased by non-agriculturists.

Q.—Is it possible for co-operative societies to finance such landlords?

A.—I think the co-operative societies can advance to a great deal.

Q.—In what form?

A.—Long-term credit.

Q.—Do you mean to say that co-operative societies can provide long-term credits? Perhaps you mean land mortgage banks?

A.—Yes.

Q.—Suppose you redeem those lands. Will the owner be in a position to cultivate it without further loans?

A.—The cultivation expenses are not very much when compared with the interest he has to pay.

Q.—Have you any information of marketing of cotton crops in this district?

A.—All our people have to send their crops to Erode or Tiruppur.

Q.—What are the other principal crops?

A.—Paddy, tobacco, turmeric, etc.

Q.—In regard to paddy, where is it marketed?

A.—Generally purchasers come from other parts and take it. We do not take it to markets.

Q.—Are those middlemen independent merchants or agents of firms?

A.—Most of them are middlemen.

Q.—Have you examined the system of weights and measures used? Is there any swindling going on?

A.—Weighing is perfect.

Q.—Measurement too?

A.—Yes.

Q.—I wonder if you speak for the whole district. Do these ryots get a fair price?

A.—Yes.

Q.—What about cotton?

A.—They have to bring it to Tiruppur.

(The witness then withdrew.)

Thursday, 6th February 1930

COIMBATORE

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur V. HAMEED SULTAN MARAKKAYAR SAHIB Bahadur.

M.R.Ry. C. V. VENKATARAMANA AYYANGAR Avargal, B.A.,
B.L., Coimbatore.

Oral evidence.

The Chairman: Mr. Venkataramana Ayyangar, have you any experience of these nidhis?

A.—I have plenty of it, Sir; for at least a quarter of a century my experience goes.

Q.—What do you think of them?

A.—They are very good and are very useful. But they must be subjected to some control. The control must be greater than it is at present. Then they would be very useful. Also some of the sections of the Indian Companies Act which are made applicable now to the nidhis should not be made applicable to them.

Q.—Can you tell us what necessity there is for special legislation?

A.—It is because we have found it absolutely necessary so far as the working of the nidhi is concerned. It affects fundamentally the root working of the nidhis. For instance they have been allowing the drawing of the share capital which were subscribed first as monthly shares, and the rules governing that particular kind were registered in the Government as required. A special resolution has under the Companies Act to be registered and the Government were registering those rules and as a consequence of that there was a reduction and increase of capital every year and in the annual reports dealing with companies the Government were publishing these things. Therefore the people naturally thought that these nidhis had the sanction of the Government behind them with the result that if tomorrow all the nidhis are declared to be illegal institutions at least a lakh of people will be affected solely in this district alone. In this district for the last 25 years and more it has been the practice, but that is not so after the recent ruling by the High Court, to withdraw the share amount at the termination of the fixed period of 2, 5 or 7 years. The Madras High Court has, I think, probably wrongly, without much consideration, in a small matter raised in an off-hand way given a very short decision which has upset hundreds of people. That has affected about 200 nidhis in this district itself. If you take a bank there will be at least thousands who have had accounts with it. For instance, I might have withdrawn my money some 25 years ago. Unless some legislation by way of ratification is passed, it will certainly work hardship. Therefore it is a matter of necessity when I say that some legislation is necessary on that point so far as the past is concerned.

Q.—Do you require legislation to ratify what is being done?

A.—Yes, in virtue of the rules passed under the Companies Act and approved as it were by the Government by registering them and by afterwards publishing in the annual reports every reduction and every increase

in the capital. If you take the annual reports for the several years excepting the last few you will find that practically every nidhi is on that list, because either its capital is increased or its capital is reduced simply by this system by which the capital money was allowed to be withdrawn under the rules. I was depositing some money in the Srirangam bank 28 years ago and I may be hauled up at any moment though I had withdrawn my money years ago. So it is a real grievance which requires the attention of the Government immediately turned to it. I do not want the Government to close their eyes till actually the difficulties arise.

Q.—What is your opinion with regard to the present condition of these nidhis?

A.—I do not see any reason why after all such things should not be allowed. The withdrawal of the share capital should be allowed.

Q.—Is it not the case that the joint-stock banks have a share capital which cannot be withdrawn? That is the basis for all the credit of such undertakings. Do you not think so?

A.—In this district there is a rule for withdrawing capital and all the depositors know that.

Q.—It will surely react on the depositors?

A.—To some extent it will.

Q.—Could you tell me whether there are many depositors?

A.—Yes. There is a practice here for all the directors in many of the smaller and the village nidhis to give a guarantee to the depositors, and the depositors know the rule that the shares may be withdrawn at any moment.

Q.—What is the value of that guarantee?

A.—Personally the directors are rich people.

Q.—In what way is it enforceable?

A.—A stamped guarantee letter is certainly enforceable in a court of law.

Q.—To what extent is it enforceable?

A.—Suppose I deposit Rs. 1,000. The directors in addition to giving me the receipt for the amount pass a resolution and give me the guarantee letter duly signed by all the directors that in case the bank fails they will pay me the whole amount. Such a responsibility on the part of the depositors is enforceable in law.

Q.—What is the difficulty in forming these nidhis with a permanent share capital?

A.—That is being done now. But the people generally feel shy. In this district there is a practice by which loans are advanced on the security of the shares. Strictly speaking, shares cannot be forfeited for loans under the Act. The practice is going on to advance loans on the security of the shares because the shares are a first class security and if the man commits a default then the shares are appropriated by the bank. That is one thing.

Q.—So that share capital is of no value as a basis of security for the other depositors?

A.—That is the case in all the banks.

Q.—What I am unable to follow is the difficulty that may exist in bringing these nidhis into line with the other banking institutions?

A.—The difficulty is in regard to getting the share capital. Supposing I have got Rs. 100 to invest I invest it in a share and whenever I want money I borrow on the security of that share. Thus it helps a man to invest his money when he has money and get a dividend on that, borrow whenever he wants money and repay it whenever he can. In exceptional cases when the shareholder makes default in the payment of the borrowed amount, the share is forfeited by him.

Q.—What is the difficulty about your having a fixed share capital and treating your present contributions as deposits?

A.—The difficulty is this. I cannot take the money whenever I want at a much lower rate of interest. But here the capital is there and for temporary purposes I can borrow and return the loan, whereas in the case of deposits it is not the case. In the case of deposits in joint-stock banks, if I borrow on deposits, I will have to pay a much higher rate of interest than is given to me on my share.

Q.—Why should there be a difference in our present arrangement? At present you are getting 6½ per cent?

A.—That is only in regard to the monthly shares. I am speaking of the permanent shares also. In that case the question of 6½ per cent will go away. In Kumbakonam, they have converted the monthly shares into permanent shares and the dividend will be the same but there will be no guaranteed interest.

Q.—Do you borrow on deposits in joint-stock banks?

A.—Yes.

Q.—In the nidhi you borrow on the monthly share?

A.—Yes. But I get the money at a lower rate than what I get by way of dividend and interest on my share.

Q.—Then the nidhi is borrowing at a higher rate of interest and advancing to you at a lower rate?

A.—The nidhi is a special case. It helps the shareholders in that respect.

Q.—In most of the nidhis, the shares paid on the monthly basis from the bulk of the funds?

A.—Yes.

Q.—Much more is paid in that than in the way of deposits?

A.—Quite so. That shows that the people prefer such risks and take the monthly shares.

Q.—But if the nidhi is borrowing at a higher rate and is lending at a lower rate, where does it make a profit?

A.—The bulk of the money deposited goes to the general public for a higher rate of interest.

Q.—At what rate is it lent to them?

A.—Generally at 12 per cent.

Q.—You lend to the public at 12 per cent and what rate have the shareholders to pay?

A.—9 per cent.

Q.—What is the guaranteed rate of interest?

A.—At present it will come only to 6½ per cent. But in several nidhis we have got the system of giving bonus and that will make it about 9 per cent, though the guaranteed interest is only 6½ per cent. We here give 12 per cent upon the shares generally. Of course the bank in Kumbakonam that I mentioned is going to give 17 per cent this year.

Q.—But the nidhi we understand is formed in the first place for the sake of providing loans to the members. Is that not so?

A.—No, no.

Q.—What is its object then?

A.—Its object is to have a public bank. It may be that the people who run the banks originally started them with a view to get themselves appointments in the banks for themselves. The people who are there want to have this glamour of a director's place in the management of the bank. Very little of money is lent to the shareholders in the first instance. Of course that is sometimes done.

Q.—Then there is no very strong philanthropic motive in it?

A.—It is all pure business. It is not philanthropic except for the fact that a very small percentage of the net income is, under the rules of several banks, as it were, earmarked for some charity.

Q.—How does it make its money?

A.—By lending outside. One of the chief sources of income I may say is the penal interest. The people who deal in merchandise do not mind paying the penal interest.

Q.—What are the penal rates?

A.—The penal rate will come to about 24 per cent on the principal amount lent and not on the interest that has accrued.

Q.—If these banks were established on the permanent share capital basis would they not command greater confidence in the public?

A.—It is a question of the state of the people. They have been made to think in a particular way and it is very difficult to exchange their view. For the last thirty years they have been made to think that the best thing would be to invest the capital with the right of taking money whenever they

wanted money and it was only in an extreme case they stand the chance of forfeiting the share. I am speaking of the permanent share capital basis. Now all on a sudden there is no use of saying 'accept my principle the western banking.'

Q.—Is it not that the success of these nidhis depends upon the business acumen of one person?

A.—Quite so. That strengthens my argument. The whole thing depends upon the future. I know that this man is clever and I will invest the money in his bank. Therefore we have to take the local opinion, and that is the case not only in this district but that is the case in every district where a nidhi exists. These nidhis are multiplying in number and there is an impression that it suits the convenience of the poor people, for instance the people who have to do with merchandise, whereas in deposits they will get a very small rate of interest. That is the old boast of this system of nidhis run in this district especially. In my tours to other places also I have seen, especially in the Tanjore district, that there are a good number of these nidhis. But the decision of the High Court has disturbed them all. They have converted their monthly shares into permanent shares and they have now made a rule that they shall not be withdrawn. Still they do it. The *Hindu* two days ago published a leader about it. All that I say is that apart from the future aspect of it, the local feeling ought to be respected. We have thrived so far and our nidhis have thrived so far and it is only after the decision of the high court that there is some trouble. Even before the ruling of the high court I think there must have been some correspondence between the—Government of India and the Madras Government and the desirability of having some legislation effected in regard to these nidhis. The legislation of nidhis must be two-sided. It should help the shareholders and it should also help the public. I should like the legislation to deal with these two points. The indigenous banks do not require so much control as the nidhis which are controlled by practically a few people and if they fail, their nidhis also fail.

Mr. Gopala Menon : Is it your view that the nidhis should continue to be registered as banks limited by shares?

A.—Yes.

Q.—You still want them to come under the provisions of the Indian Companies Act?

A.—Yes.

Q.—Then what about the provisions of the Act restricting the reduction of the share capital?

A.—All that I say is that the Companies Act should be made applicable as much as possible, but there should be some more sections for excluding some sections regarding reducing or increasing the capital and also for increasing the control in regard to inspection and audit. Now the section relating to audit is only very vague. I would like to have this question of audit made more strict.

Q.—Is it your point that the sections relating to the reduction of share capital and the increase of share capital should not be made to apply to the nidhis?

A.—Yes. And some other sections should be made more permissible under some conditions. Now unless I go to the court and take their permission for every reduction I cannot do that. In the case of the nidhis it is impossible.

Q.—Your view is that the nidhis should not be regarded as issuing shares but only as taking deposits?

A.—Yes, but only under certain conditions.

Q.—With regard to the other banking institutions they are giving notice to the court and getting the reductions sanctioned. But in regard to the nidhis you want them to remain within the Indian Companies Act and still you want them to be exempted in regard to this. Is it not so?

A.—Under some conditions I want this exemption to be granted. In the case of the big banks like the indigenous banks and other banks they do not generally have the provision about the reduction, whereas the nidhis have been built upon that principle.

Q.—Is it your point that the nidhis would lose all their popularity or elasticity if they are not granted exemption?

A.—There will be no nidhis practically if things are allowed to go on as they are now. The old nidhis must go because there is the Democles' sword hanging over their heads. I am a shareholder of a nidhi. So long as I am living there may be much trouble at any time if I have withdrawn my share and my grandson too may be held responsible. That is the effect of the ruling.

Q.—Do you still want to work the nidhis as mutual benefit associations?

A.—It is not like the co-operative societies where the public are not benefited to a large extent.

Q.—Who are the people whom you are so greatly helping?

A.—The lower and the middle classes of people. Generally we help the agriculturists and the middle class people. We have got a legion of these middlemen merchants and the nidhis deal with them. We advance sums of money on their merchandise also.

Q.—Do you mean the poorest class?

A.—I will not say the poorest class but I will say the poorer class.

Q.—It is to their advantage that you want the nidhis to be worked under the Companies Act and still you want them to be considered as mutual benefit associations?

A.—You should not use the word 'mutual' but you should use the word 'public'. They are public benefit associations. If you take the figures of the loans given by these nidhis till three or four years ago you will see that they have been doing a good deal of work. From the district point of view the foreign elements had then very little work to do.

Q.—Have you made any representations to the Government with regard to this point?

A.—There is that letter of mine in the Hindu, a copy of which I had sent to the Government. I drew the attention of His Excellency to it and I had a talk about it with the Hon'ble Mr. Krishnan Nayar also.

Q.—But you have not made any suggestions as to the lines on which the future legislation should be made?

A.—I had given the dangers and the risks and therefore the necessity for a piece of legislation has been made out. It is only when I am given opportunities like this that I can give my suggestions. If I am asked to prepare a memorandum, certainly the suggestions as to the lines on which the legislation should be will be forthcoming.

Q.—So your point is that these nidhis should be retained by a separate legislation and that they should not be controlled by the Indian Companies Act. You want more control upon the management than upon the shareholders?

A.—I do not know but still they should be given encouragement. All the same there must be a separate legislation.

Q.—Are these nidhis running any chits in this locality?

A.—A large number of them are running chits.

Q.—What is their nature?

A.—The Collector asked me about the rules and regulations of chit funds. There are separate rules so far as chits are concerned. There are about 125 nidhis in the district.

Q.—How many are running chits?

A.—About fifty per cent of them are running chits. Others are arranging for it. The difficulty was that the Registrar asked us to amend the memorandum. That takes practically some time. Most nidhis are running chits.

Q.—I therefore infer that you are not for any legislation for the controlling of kuris?

A.—They do not require legislation. Now the rules for the kuri are uncontrolled.

Q.—I wish to know whether it has come to your notice that in the course of the reconstruction of the nidhis they have had to reduce their capital and that the shareholders have withdrawn their share money instead of depositing it again there?

A.—Working capital is reduced.

Q.—Are you aware that in some places it has been reduced to such an extent that the capital is low while the liabilities remain almost the same?

A.—I think most of the liabilities would have been discharged also.

Q.—You have no fear of the reduction of deposits in such cases? I was told that some of the nidhis in Madras had to face the difficulty?

A.—It is quite possible but it would not matter in view of this ruling.

Q.—In view of the ruling they are trying to convert the share capital as deposit; while doing so members have withdrawn and the liabilities still remain. Therefore a deadlock has come?

A.—I will strongly say that in all these cases the deposits at the time of the withdrawal shall have a lien over this amount.

Q.—That could be done only by legislation?

A.—Yes.

Q.—Suppose legislation is brought into effect that the nidhis should not convert the share capital and that the shareholders should not withdraw. What will be the effect?

A.—Owing to the large number of withdrawals all will be liable. Under the ruling not only the people who are then the members but also all the members from the very beginning will be liable.

Q.—What is the position with regard to a shareholder in a joint-stock company? Suppose he sells his shares. To what period is he liable?

A.—He is not liable if he sells his share because it is only a matter of transfer.

Q.—Do you not think that it is an anomaly that the members of the nidhis should be held responsible for contribution in the event of liquidation?

A.—It is an anomaly and a great injustice.

Q.—I presume that you are connected with a number of commercial undertakings here?

A.—Yes. I am the director in several mills. I have in this city invested about 2 lakhs of rupees as shares.

Q.—Is there a feeling amongst the commercial public that the scale on duty on bills of exchange including hundis has been regarded high?

A.—So far as hundis are concerned there is very great grievance felt by these merchants. The value of goods is realised by means of hundis. They have to incur much loss in that. Both the agent as well as the middlemen suffer very much in cotton industries.

Q.—Do you think on that account the progress of banking on sound lines has been retraded?

A.—We are not getting a good number. Of course the public are concerned with that. Hundies are not so popular as it would be if the duty is reduced as in the case of cheques. Cheques are very popular after this duty is taken. I issue cheques even for a rupee or two. There is no doubt whatever that the abolition of duty on cheques has tendered to its increase. Similarly if the taxes are taken away they will be more popular. I wish they are at least appreciably reduced.

Q.—I find that the duty on ten thousand rupees on a bill of exchange or hundi is about Rs. 9?

A.—It depends upon the time.

Q.—That is really double the duty prevailing in other countries?

A.—I am not aware of it.

Q.—Do you not think that a reduction is necessary?

A.—I would like reduction. I would prefer to have complete abolition.

Q.—In the case of reduction what reduction do you think should be recommended?

A.—I would put it very small say Rs. 4 for 10,000. It depends upon the time of payment. I would like to have them reduced by half at least.

Q.—Some chambers of commerce recommend the abolition of the duty in the business in regard to the creation of a self-liquidating bill of exchange and hundi. Do you think that by reduction a proper discounting market could be created?

A.—Certainly.

Q.—Do these banks discount bills and hundis very freely?

A.—They go to multanis so that they might get the money very easily. The multanis and others want higher commission on that. If they come in large numbers probably the discounting will not be so large. We issue dividend warrants now as cheques.

Q.—Do you recommend a separate scale of duty to the bill of exchange?

A.—Yes. Ninety days or one hundred and twenty days. These banks charge an interest for these days on hundis but in certain transactions the interest is added in the price.

Q.—Do you recommend a reduction or abolition on bills which are payable otherwise than on demand?

A.—First of all reduction in all cases and then abolition. I would like to reduce it by 50 per cent. I should like to have the stamp duty upon both of these to be practically the same.

Q.—Is it your view that a sound banking system could be brought into existence and could be developed?

A.—Yes.

Q.—Should there be any distinction on bills of exchange payable not more than one year and drawn so many days after sight and those payable more than one year after date or sight?

A.—No.

Q.—As it is we suggest an abolition or reduction of duty on bills of exchange which is all the same as on bonds. Will this abolition affect the bonds in any way? Would there be any inconvenience felt?

A.—Not very much. Many of the bonds are written as pro-notes.

Q.—Will these bonds be resorted to instead of bills?

A.—To some extent; not on a very large scale. Bonds are not usually seen among the merchants.

Q.—You don't think that it will interfere?

A.—Separate communities deal with separate classes. Bonds are between the landlord and ordinary middlemen. Hundis are between the customers.

Q.—In the case of abolition or reduction have you ever thought of the loss of revenue to Government?

A.—To some extent.

Q.—How are we to replace the revenue?

A.—I don't think that the matter should be taken. The new Stamp Act has brought a lot of money into the Government treasury.

Q.—Then there will be not much of a loss of revenue?

A.—I am very doubtful. Then there will be time.

Q.—As a practical man we have to suggest ways and means to make up the loss of revenue?

A.—The advantages will be greater. I have no suggestions. The stamp income will not be very much affected.

Mr. Thomas: I find according to Sir Frederick Nicholson's report that nidhis are mutual loan societies. Does that definition hold good at present?

A.—It is a question of mutual help.

Q.—I agree that the first nidhi, the Sudder Court Fund, was a mutual loan society; so are many nidhis elsewhere in the Presidency even to this day. But what about the nidhis in this district? Are they regular commercial concerns and doing everything that an ordinary joint-stock bank does?

A.—Yes, Nicholson wrote a long time ago.

Q.—How many nidhis were there in Coimbatore at that time?

A.—In fact all of them were existing at that time.

Q.—That is not what I have gathered. Do all of them have a permanent share capital?

A.—They have got also subscribed permanent capital. That is one peculiarity of banks in this district. There we have got also monthly shares. Some of them combine both. I think they have mostly monthly share capital and permanent paid-up capital. In the case of nidhis in Coimbatore they have got both monthly share and permanent capital. Almost all the banks have got monthly shares. Nidhis have been returning a lot of deposits of late. Most of the deposits are going into the district urban bank.

Q.—At present large amounts of deposits are running into these nidhis?

A.—Yes. There is no question about that. The deposits have flown from the nidhis. If you take the balance of the last ten years and the balance of to-day you will see the difference. If to-day many of these banks are asked to submit their balance sheets for some years you will see the difference in deposits.

Q.—Is it true that between 1921 and 1926 as many as sixty-four nidhis had been liquidated and that in one year alone (1925-26) 23 nidhis were wound up?

A.—It is possible.

Q.—What are the causes of such mortality?

A.—In this district the credit has gone down. In the period after the war we have had bad seasons. Therefore the income of the ryots fell down, partly owing to world deflation. You will see in this district that the number of insolvency applications has gone up. Some had to fail on account of that. But there were few liquidations on account of other defects. In fact there should be greater control over these nidhis.

Q.—You told the chairman that borrowing on share capital is a legitimate transaction?

A.—It has been in practice for a long time.

Q.—Does it not contravene the Indian Companies Act, which regulates the transactions of these nidhis?

A.—Framers of the law had no idea in 1913 about this. So far as I know in most of the countries they have got special rules. They have got definite rules that their capital should not be reduced without the special sanction.

Q.—If you borrow upon the share capital of the society does it not affect its credit and weaken its financial stability?

A.—To some extent.

Q.—Such borrowing on the security of shares may be prejudicial to the interests of the depositors?

A.—The position of the depositors will be weakened. There should not be a special restriction that there should not be any withdrawal of share capital. All the nidhis do not borrow on the security of their share capital.

Q.—If the principal security for the deposits is share capital, would it not weaken the bank if shareholders are allowed to draw upon their shares?

A.—As a mere shareholder he may borrow ordinary loans and become insolvent. No use of having share capital when he becomes an insolvent.

Q.—Share capital is the principal asset of a nidhi. And if you weaken it?

A.—Not in all cases. I know a nidhi where the share capital is about Rs. 8,000. It has got a deposit for one lakh of rupees. Depositors do not wait for the capital. They know what it is. They watch what the bank is doing and there is the fact that they can withdraw their deposits at any time. They generally mature in one or two years. Another reason to my mind in favour of the borrowing on shares is that there is no difference between shareholders and investors.

Q.—How?

A.—You withdraw money and another man deposits. So far as the shareholder is concerned there will be another shareholder especially in the case of monthly subscriptions.

Q.—By some reason or other, such laxities may have gone on in the past. But we now recognize its evils and cannot allow them to continue any longer. What have been found by the whole world as essential for the safety of joint-stock banking must be equally essential here?

A.—Yes. These things may be good in some cases but it depends upon long usage.

Q.—Are you against further legislation?

A.—I would certainly recommend it.

Q.—May I ask whether the company law properly secures the interests of depositors in a nidhi as at present constituted?

A.—I cannot say that.

Q.—What modifications in company law would you suggest, not only in regard to nidhis but joint-stock companies in general for securing the interests of the public dealing with them?

A.—It may not be necessary for very big banks like the Indian Bank, the Nedungadi Bank, etc. But over all the small banks I would certainly like to have some better control.

Q.—What reserve funds are kept by the nidhis now?

A.—Whatever reserve fund there is is now lent out.

Q.—Suppose there is a run on the bank by the depositors? What will they do?

A.—The only recourse is liquidation.

Q.—We therefore require a definite provision about the reserve fund and agencies for enforcing that rule?

A.—I have no objection to that. In that case there may not be much of reserve fund. I may go further and say that a portion of the net income should be transferred to the reserve fund, say 10 per cent of the net profit or one per cent of the working capital. I would also say that a certain percentage should be set apart for bad debts. There should be a maximum for dividends as in the case of co-operative societies.

Q.—Is it true that a good portion of the profits of the nidhis is got from penal interest?

A.—A fairly good portion.

Q.—How are the profits shared. What part of the profits actually go to the share-holders?

A.—The whole profits. The directors do not get anything here except what they get by way of sitting fees. The only paid man is the secretary.

Q.—What is the salary of a secretary generally?

A.—It will be not much, about Rs. 50 to 100 per month; but he will get a fat bonus every year.

Q.—Is the bonus according to the profits?

A.—It is not a percentage of the profits. It is given by the will of the share-holders. There is no restriction placed upon the amount. Say if the profits are Rs. 35,000 then Rs. 1,500 is given to the secretary as bonus, Rs. 500 to the treasurer and Rs. 500 to the staff. The articles of association does not provide a maximum.

Q.—It is said that many of the nidhis are family concerns? Is that true?

A.—Some of them are to some extent or at least some of the smaller ones are local or communal concerns.

Q.—Do they declare dividends on unrealized profits?

A.—That is what is called paper profits. It is converted into capital. We do not take credit for interest due to us or due from us. We only calculate the sums actually received and actually spent.

Q.—Sir Frederick Nicholson looked forward to nidhis developing into proper joint-stock banks. Has it been fulfilled?

A.—But nidhis are joint-stock concerns.

Q.—If nidhis are true joint-stock banks why do you require any modification of the company law to fit in with your local developments?

A.—Because certain peculiarities are not provided for.

Q.—But what is the chief end in view, safety and stability? If so stringent provisions are needed to safeguard it?

A.—I know that some of these banks are committing fraud. Therefore there must be some restrictions like Government audit placed upon them. At the same time we have to recognize the practice that has been going on and from my point of view one that will be useful in the long run.

Q.—Because some practices having been going on till now it does not follow that they are justifiable or must continue. All the world over, the capital of a joint-stock concern should not be reduced without the consent of the courts. Why should that be modified in Coimbatore alone? The banks are dealing with public money and they must come under law. Therefore, there should be stringent restriction regarding the reduction of capital?

A.—Yes, at the same time there should be adaptation to local conditions.

Q.—But adaptation is not to be tried on lines which would endanger the very safety of the institution on share capital?

A.—We would not have been able to run so many banks if there is not such a provision. There is a mixture of good and evil in everything. A number of nidhis would not have existed but for that provision.

Q.—Whatever might have happened in the past, do you not agree that it must now stop?

A.—I think it may be gradually done.

Mr. Muthiah Chettigar: What is the penal rate charged by the nidhis?

A.—Generally 24 per cent per year, not upon the interest but upon the whole principal.

Q.—Is it 24 per cent from the date of the pro-note?

A.—From the date of default of interest till the date of payment.

Q.—What is the interest charged in the beginning?

A.—About 12 per cent on unsecured loans.

Q.—On secured loans?

A.—9 per cent.

Q.—What is the percentage of overdues?

A.—Overdues are made up by documents. Whenever money becomes overdue, the management get a pro-note from that man unless he is very solvent, for both the interest and the principal. Therefore it is very difficult for us to know what is realizable debt and what is not.

Q.—But what would be the outstandings?

A.—You can take it as cent per cent of the working capital.

Q.—Supposing a nidhi lends Rs. 5 lakhs what would be the overdues?

A.—There would be a large amount of overdues for one day and two days. The interest collected on them will be a very large amount. But now-a-days they do not show the penal interest separately in the final accounts as they were doing before.

Q.—These nidhis are registered under the Indian Companies Act and they do not strictly follow the provisions of that Act in regard to reduction of share capital. Is there anything to prevent me or any other public citizen from bringing these companies to book?

A.—I was telling that even though the nidhis violate that provision, in the annual report issued by the Registrar of Joint-stock Companies he recognises these reductions. He could have even at the beginning said that he would not register articles to that effect. If it had been done, this trouble would not have occurred at all. He puts in the annual report so much reduction of capital, and so much addition of capital and so on.

Q.—What is the rate of interest charged by the indigenous banker and the money-lender?

A.—From 9 to 12 per cent.

Q.—On loans with security?

A.—Yes.

Q.—On clean loans?

A.—Generally about 12 to 15 per cent.

Q.—For what amounts?

A.—It is for small amounts, that is amounts less than Rs. 1,000 and for sums above that the rate is 9 to 10 per cent.

Q.—Compared to these the nidhis charge a higher rate of interest?

A.—They charge the same rate.

Q.—But the penal rate?

A.—Yes, they charge a higher rate. The nidhis show a higher rate of interest, i.e., the penal rate in the pro-notes.

Q.—But will not the auditor take objection to it?

A.—No, even the courts do not.

Q.—How are the co-operative societies working in this district?

A.—They are working sufficiently well.

Q.—How many lakhs do they lend in this district?

A.—So far as the Central Urban Bank is concerned they lend Rs. 20 lakhs.

Q.—And the other societies?

A.—Their share capital will be about Rs. 4 lakhs to Rs. 5 lakhs.

Q.—What interest do they pay on deposits?

A.—5 to 7 per cent.

Q.—And the indigenous bankers?

A.—They take very little deposits. The Nattukottai Chettis were taking deposits at 9 per cent, but now they do not.

Q.—Do the Multani and the Marwari take deposits?

A.—They do not. They get plenty of money from the Imperial Bank.

Q.—Is it possible for the co-operative movement to replace the money-lenders and the indigenous bankers?

A.—I do not think it is possible, nor is it desirable.

Q.—Why is it not possible?

A.—Because the general public have got greater confidence and deposit more money in the nidhis which are run by local people, people known to them. We always think that the people who run the co-operative societies are strangers and are very strict. With regard to the nidhis we can run up to them and get money whenever we want.

Q.—It is said that the panchayatdars lend only to their friends and that those who are not their friends are not able to get any loans from them?

A.—That is quite natural seeing that the liability is unlimited. You cannot expect me to lend to one who is not known to me and still be liable for any loss that may be incurred on his behalf. I will not help my enemy.

The Chairman: Why not?

A.—Because the liability is unlimited and if he makes a default then I will also be held liable for the amount.

Mr. Muthiah Chettiar: I am speaking of the limited liability?

A.—If it is limited liability he does not come to his enemy at all.

Q.—With regard to these secretaries and managing directors, what rate of bonus do they get?

A.—It is unlimited.

Q.—Would you say 20 per cent of the profits?

A.—It is unlimited. The bonus sanctioned does not bear any proportion to the net income derived. Sometimes they reduce the dividend paid to the share-holders and give more to the secretaries. After all the share-holders are the friends and relatives of the secretary, who is always a local influential man. When he wants this bonus there will always be many people who will support him and very few to oppose him. It is the president only who generally comes from outside who has some check upon the secretary. Therefore it is that I say that some check should be placed upon the amount of bonus given to the secretary and the treasurer.

Q.—What is the average capital of these nidhis?

A.—The capital will be from Re. 1 to Rs. 2 lakhs.

Q.—How do the industries here get their finance?

A.—From the Imperial Bank. All the mills here have large accounts with the Imperial Bank. One or two are just beginning to have accounts with the Indian Bank.

Q.—Is there any other agency which finances these industries?

A.—No, excepting the Imperial Bank.

Q.—Are all the advances secured?

A.—Yes, secured on the goods.

Q.—They cannot get clean loans?

A.—Not these mills. They are all open loans covered by movables as security.

Q.—My point is can you get loans without security?

A.—Not from the Imperial Bank.

Q.—What about the number of ginning factories? Do they get finance?

A.—Yes.

Q.—From which agency?

A.—From the nidhis and during some seasons from the Imperial Bank.

Mr. Thomas: Is it true that usually the nidhis are badly audited?

A.—One of my recommendations is that there ought to be a better system of audit.

Q.—What is the cause?

A.—Because of the patronage. I am speaking generally. A strict auditor if he is so, will not be appointed the next year also.

Q.—How can you remedy that?

A.—By taking away the appointment of the auditors from the hands of the share-holders. The Government can appoint the auditors.

Mr. Gopala Menon: Are they not appointed at the annual meeting?

A.—The annual meeting is a farce.

Mr. Thomas: Why not have some kind of combination among nidhis, the larger nidhis having branches in the mufassal? Do you not think that we have too many small nidhis?

A.—We are trying to have some such thing, but the directors of some nidhis do not agree to it.

Q.—You have attempted but has it not succeeded?

A.—Yes, but they do not want to combine. We tried to have a general board of directors.

Q.—Why not at least some of the larger nidhis incorporate the smaller ones?

A.—The smaller nidhis are family concerns and they do not want to lose their individuality and subject themselves to the control of others. Here in this district branches have failed much more than individual nidhis. If there are enough individual banks then why should there be branches.

Q.—I suppose there are many nidhis in the villages?

A.—Yes.

Q.—And they are lending money to the villagers just as co-operative societies are doing?

A.—Yes, they are doing the same thing.

Q.—A good number of nidhis are financing agriculture to-day?

A.—Yes, even in Coimbatore to-day about 50 per cent of the loans are given to the agriculturists. We can say of the advances 50 per cent is for agriculture and 50 per cent for commerce.

Q.—So these nidhis in Coimbatore have travelled far from the days when Nicholson wrote his report; and in their constitution as well as clientele, radical changes have taken place. The Mylapore Permanent Fund and a few other funds elsewhere in the Presidency are only exceptions. They are no longer mutual loan societies but regular commercial concerns and lend money to all classes of people. All these justify, and even call for, a more stringent State regulation of the nidhis in the interests, specially of themselves as of their clientele?

A.—Yes.

Mr. Shanmukham Chetti: I think you were putting a special plea for allowing these nidhis to lend on share capital?

A.—What I was saying was that people had been accustomed to it so long that it is difficult to stop the thing altogether. The better thing would be probably to lend money on the shares under some restrictions.

Q.—You recognize that in lending on this share capital these nidhis are violating a provision of the company law?

A.—Yes.

Q.—Do you agree that the chief difficulty in the whole situation is this: when an article of association of a certain nidhi is taken for registration the registrar does not refuse to register it on the ground that it is fundamentally defective?

A.—I go further than that and say that in the annual report he says specifically that so much reduction in capital has been made and so much additions. Thus he clearly recognizes it.

Q.—Therefore would you strongly welcome some procedure by which the annual statements submitted by the *nidhis* under the provisions of the Companies Act could be fully examined by some responsible department of the Registrar of Joint-stock Companies so that the public may be satisfied that all the provisions of the company law are being observed?

A.—I go even further. The auditing should not be done as it is being done now. Every item must be checked and if it is against law the persons responsible must be taken to task.

Q.—In Coimbatore there have been some cases of alleged defalcation. These defalcations are supposed to have taken place in spite of the certificate which has been given by the auditors?

A.—As I have been saying the auditor merely signs the balance sheet in most cases and does nothing more. There ought to be more careful audit.

Q.—Therefore you suggest that one of the remedies should be so to change the wording of the certificate issued by the auditor as to make him more careful in his audit work?

A.—I can suggest even 20 different remedies regarding audit, but I am not here called upon to make that suggestion. Even if the wording of the certificate is altered it is very difficult to make him more careful. If there is a concurrent audit then it will work much better.

Mr. Gopala Menon: Is there not the system of monthly auditing observed?

A.—No.

(The witness then withdrew.)

Thursday, 6th February, 1930.
COIMBATORE.

PRESENT :

- Mr. H. M. HOOD, I.C.S. (*Chairman*).
Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
Mr. C. GOPALA MENON, M.L.C.
Mr. M. A. MUTHIAH CHETTIYAR, B.A.
Khan Bahadur V. HAMREED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. C. G. NATARAJA MUDALIYAR *Avargal, Secretary,*
the Janopakara Nidhi, Limited, Coimbatore.

The witness handed over to the Committee the following written evidence:—

“ All exchange banks should be registered and incorporated in India with rupee capital with an admixture of Indian and foreign shareholders and Indian directors also on the board of management.

“ Owing to the exploitation of the foreign exchange banks in overseas trade and the Imperial Bank in the inland trade, even the big Indian joint-stock banks cannot make any headway and are shoved to the background. Between the undue competition of the Imperial Bank commanding colossal Government funds on the one hand and the monopoly of financing export and import trade captured by the foreign exchange banks on the other, the indigenous banks are hemmed in and their progress is impeded. There is no *entente cordiale* and *esprit de corps* between the Imperial Bank and the joint-stock banks.

“ Since the enactment of the Indian Companies Act of 1866, 1882 and 1913 a very large number of nidhis and chit funds were established in the Madras Presidency where there are now over 400 of them working in full swing and occupying a strong position forming the bulwark of the Madras joint-stock companies doing banking business.

“ By their peculiar constitution the non-fixity and the fluidity of their share capital, and fundamental difference from joint-stock banks, they do not conform either to the requirements of the Indian Companies Act of 1913, particularly sections 55 to 58, restricting their share capital or to the Co-operative Societies Act.

“ They occupy an anomalous position in Indian banking. It is very essential in the light of the experience gathered and gained in working of these nidhis and funds for the past 50 years and more, that special legislation should be passed for their incorporation, control and regulation as a special class of institutions governed by special statute, as it is very difficult to bring them under the purview of the Indian Companies Act. Their accounts should be audited by Government. The Registrar of Joint Stock Companies should exercise statutory supervision and control over them. The reserve fund should not be allowed to be rolling with the working capital but should be invested outside the concern on some gilt edged security as a safeguard to the depositors and shareholders to meet any unforeseen contingency. As per their articles of association, the nidhis are granting loans on their shares to the extent of 90 per cent of their face value. This is a glaring drawback and a novel procedure considered in the light and spirit of the Companies Act. No share loans should be allowed, paid-up capital of the shareholders should stand intact as a sterling security for the depositor and for upholding the financial stability of the banks.

"The shares of most of the nidhis are fully paid up to their face value, as such, there is no reserve liability of the shareholders. The face value of their shares may be increased by at least 25 per cent so as to secure the shareholders reserve liability which is the mainstay and stronghold of a bank's solidarity and solvency.

"No bank should be allowed to take in deposits indiscriminately. The total amount of deposit which a bank may receive should not exceed double the aggregate consisting of the paid-up share capital, the reserve fund and the reserve liability of the shareholders. This restriction will assuredly guarantee the depositor's money at all times and in the face of crisis.

"Government should impose rigid and strict limit in the matter of registration of new banks in each locality. As it is, nidhis and funds are springing up like mushrooms in every nook and corner without any proper check or control *inter alia*. I may mention that in Coimbatore town alone there are about 60 nidhis for a population of about 75,000.

"Statistically it is found that Coimbatore City has more registered banks than any other City in India. A judicious study and survey of the locality and extreme caution and discretion should predominate in the regulation and issue of charter to new banks.

"In fine I fervently appeal to the Madras Provincial Banking Enquiry Committee, to recommend to Government to patronize the Indian joint-stock banks by extending to them State-aid and facilities for cash credit accommodation at cheap rate of interest through the Imperial Bank which is the state bank and *ipso facto* the bankers' bank.

"Most of the Indian banks deposit their surplus cash in the Imperial Bank in current account on which no interest is paid. It will be a great help to them if the Government could persuade the Imperial Bank to pay 2 or 2½ per cent interest on current deposits.

"Decentralization is the bane which retards the progress of Indian banking system. If banking reserves are concentrated in a central bank, the catastrophies of unwarranted crises can be safely and judiciously averted and good credit can be organized. Sound banking development is the *sine qua non* for the material advancement and prosperity of India's agriculture, trade, commerce, industries and wealth."

Oral evidence.

The Chairman : Mr. Nataraja Mudaliyar, you are connected with the nidhi in Coimbatore?

A.—I am the Secretary of the nidhi.

Q.—With regard to the composition of the nidhis and funds there are certain points in which the by-laws are not in conformity with the Indian Companies Act. Can you tell me what are those points?

A.—So far as section 55 of the Companies Act is concerned (the reduction of share capital) some of these nidhis do not conform to the Act. Sections 92 and 94 deal with prospectus and 100 and 101 restrict the allotment, section 102 deals with the effect of irregular allotment, section 103 deals with the commencement of business, and section 104 about return of allotment. Under these sections some of these funds do not come in. But nidhis conform to these conditions, with the exception of the sections restricting reduction of capital.

Q.—In what way does a nidhi differ from a fund?

A.—The nidhis resemble more or less joint-stock banks. The share capital of the funds are increasing or decreasing according to the whims of the members. They may choose to be members of the fund or retire. New members can come and old members can go at any time they please. But in nidhis it is not so. The share capital is constant, the number of members are constant, only the name of the members change and the paid-up share capital will be constant.

Q.—In that case the nidhis could well comply with the provisions of the Indian Companies Act?

A.—I rather think so.

Q.—In that case, do you want any special legislation for the nidhis in the future?

A.—Except for these sections which are thought by some people to be a handicap for the smooth running of the nidhis, I think they can very well be brought under the control of the Indian Companies Act.

Q.—Do you think that it would be beneficial generally, if they are brought into line with other forms of banks, with the elimination of certain peculiarities in the latter?

A.—At the outset it may be difficult, but in the long run I am sure they will conform to the Act. In England and America this has worked very well and I do not see any reason why it should not work in India as well.

Q.—Do you think it is desirable that they should have their own audit?

A.—I rather think that State aid should be given. I have dealt with this aspect of the question in a paragraph in my written evidence. State audit and supervision is essential for the development of nidhis in this country as in America and Denmark. There the banks are all controlled and regulated by Government. They issue a charter and an audit certificate and things of that sort. The same procedure may be adopted here also.

Q.—Do you consider that the audit should be controlled by Government? Are not the joint-stock banks nowadays having their accounts audited by private auditors?

A.—The audit should be controlled by Government. I would even suggest that the control of audit of the joint-stock companies may also be under the control of Government just as local boards and municipalities.

(At this stage, Mr. C. Gopala Menon took the chair.)

Mr. Muthiah Chettiyar: How many nidhis are there in this town?

A.—There are about 60 nidhis.

Q.—You give Rs. 100, after 84 months for a man who takes up one share of one rupee. Do you consider it a reduction of capital or not?

A.—So far as funds are concerned it is a reduction of capital.

Q.—Does this system prevail in any other nidhis?

A.—There is only one nidhi in Coimbatore that does this function.

Q.—Do you advance loans against shares?

A.—About 80 to 90 per cent of the value of the shares we advance.

Q.—Are there any forfeitures?

A.—We have not.

Q.—Do the articles of association of some of these nidhis provide for the forfeiture of shares?

A.—In any case of the forfeiture of shares, we will first of all serve the party with a notice and proceed to auction his shares to the highest bidder. If the shareholders agree, we could transfer the shares without notice.

Q.—It is alleged by somebody that the forfeiture of shares are all pre-arranged. Is there any truth in that allegation?

A.—So far as I can see there is no truth in such an allegation. In the first place there is no forfeiture of shares at all and the shares are being sold out to somebody when the shareholder wants to transfer. It may be so only in the case of funds.

Q.—How many funds are there which run shares of this nature?

A.—There are no funds which run any shares like this. There is only one nidhi in Coimbatore which runs on the model of the Mylapore fund. It runs a system of shares, it takes 84 shares of rupee one each in 84 instalments and pays Rs. 100 at the end of the 84th month.

Q.—What is your rate on clean loans and secure loans?

A.—12 to 15 per cent on clean loans and 7½ on the pledge of jewels. The joint-stock banks charge in 7½ to 15 per cent.

Q.—You suggest the organization of a bankers' association to bring together all merchants and bankers into closer touch. Have you any chamber of commerce in Coimbatore?

A.—We have recently inaugurated an Indian chamber of commerce, of which Mr. R. K. Shanmugam Chettiyar is the president.

Q.—Do you consider that the bankers' association would form a section in that chamber?

A.—Certainly it will form a section of the Indian chamber of commerce.

Q.—You also urge for the formation of an All-India central bank with branches all over the country. Do you want that you should have one branch in every district headquarters?

A.—I have stated that there should be some sort of centralization of banking reserve in an All-India central bank with its branches all over the country. The branches may have their headquarters in Madras so far as this Presidency is concerned.

Q.—Do you not consider that the Imperial Bank can best act as their agents in all districts?

A.—I rather wish the central reserve bank should have its own branches.

Q.—Should the central reserve bank lend merchants directly?

A.—Yes. My object is that the central reserve bank should lend to all bankers as well as merchants. It should have also bankers as its shareholders. It should be a bankers' bank, also.

Q.—You want that the central reserve bank to be public company and not of a Government concern? Is that so?

A.—It should not be a banker of Government.

Q.—What is the effect of the abolition of stamp duty on cheques?

A.—This has made things very easy. Cheques system can be freely resorted by all literate merchants.

Q.—Do the nidhis employ cheques?

A.—Some of the nidhis do that also.

Q.—Do you know anything about usance bills? What is the interest charged on it?

A.—It is a bill commonly repayable at the end of 90 days and is used mostly by bankers. They charge 12½ annas for Rs. 100 bill.

Q.—Do you favour any reduction of the rate?

A.—I would suggest a reduction of half the amount.

Q.—You say that for land mortgage banks, capital could be raised from big landlords too. Do you think that they would be tempted to lend money to the land mortgage banks?

A.—There are rich landlords who can lend money. If they are allowed to participate freely in the management of the land mortgage banks, they are bound to invest their money in them.

Q.—You say in your written evidence that “if the bearer cheques are by law made to continue as bearer cheques until encashment without being converted by endorsement into ‘order cheques’ in the interim, then the public will be better benefited by the hundi system. Can you explain what are your difficulties at the present system?”

A.—A great deal of difficulties is experienced by the bankers according to the present practice. The bankers' liability has become all the more great. We find that the responsibility of the banker is all the more burdened by the conversion of bearer cheques into orders cheques before encashment, especially when bills are discounted with us.

Q.—In regard to the land mortgage banks, you said that the landlords should be allowed freely in the management of the bank in order to attract investments from them, and you also add that expert and constant supervision should be made to see that the whole money raised is spent on the improvement of the land. Which agency do you suggest, should be employed for supervision?

A.—I would suggest that an agency analogous to the agency employed for the supervision of co-operative land mortgage banks be formed for the purpose of supervision.

Q.—You say that the rate of interest ranges from 7 to 12 per cent with penal rates between 20 to 24 per cent. What will be the net yield taking into account all expenses on the capital of the indigenous bankers?

A.—It fairly works out to 12 per cent so far as nidhis are concerned.

Q.—What is the average yield with regard to the indigenous money-lenders' capital?

A.—I do not know that. It may be a little more than that.

Q.—Do you know what the penal rate of interest they charge on the defaulters?

A.—One anna for 100 rupees for every day's default. This is with a view to make up any loss owing to bad debts, etc.

Q.—Do you not think that co-operative societies can replace the indigenous banker?

A.—They cannot replace them completely. They can do it only to some extent. In certain parts of the country they have been ousted.

Q.—Have they been ousted completely there?

A.—Yes, in the village parts.

Q.—Are there midhis in the villages?

A.—They may be in one or two villages, but not in all villages.

Q.—What rate do you generally allow on your deposits?

A.—The rate ranges from 6 to 9 per cent. We are giving 6 per cent on our deposits.

Q.—You want that a legislation should be passed fixing the maximum rate of interest at 12 per cent and the charging of penal interest should be penalized by law. But your midhi lends at the rate of 12 to 15 per cent. Then will not the same legislation affect your midhi also adversely?

A.—As a matter of fact I am for reduction. We conform ourselves to certain rules imposed on us by the Indian Companies Act and the other joint-stock banks. I may state that a reduction in the rate of interest is absolutely necessary because there are some unscrupulous money-lenders who take advantage of the licentious habits of certain young men, prey upon them and lead them to rack and ruin. I have come across with a number of instances like that. If a penal provision is made in their lending at such usurious rates, it will act as some sort of control over them.

Q.—Do not you think that co-operative societies and joint-stock banks have had their own effect in bringing down their rates?

A.—Certainly there has been an appreciable reduction in their rates today. People in many villages rarely go to them for financial help.

Q.—Then why do you recommend legislation?

A.—With all that it is a safeguard.

Q.—You say that the bankers and money-lenders are a little too well protected by law. Will you explain what you mean by that statement?

A.—What I meant to say was that some of the bankers stipulate with their borrower in times of dire necessity and get pro-notes or other form of security. When the borrower fails to repay they obtain decree from courts as per conditions of the contract of the debt. This works very hard upon the borrowers and I want that some legal facilities should be extended by statute to the borrower. For instance, if a man goes to the banker and borrows from him at 12 per cent and if the interest is not paid on such and such a date, there is a penal clause imposed on him that he should pay 24 per cent in which case he is allowed some more time for repayment. This penal interest is again multiplied, if he does not pay before that time, and thus eventually the borrower is ruined. In order to safeguard against this I want to have a check on them by legislation.

Q.—Have the indigenous bankers much difficulty in realizing their outstanding?

A.—With all the penal provisions, they find it difficult to realize their money.

Q.—How many years does it take for the money-lender to realize his capital on clean loans?

A.—In about 3 years.

Q.—On secure loans?

A.—Mortgage loans involve a year at least before they could get the decree and it will take 1½ years at least for the realization of his amount, if the property secured happens to be movable.

Q.—You were just saying that your lending rate is 12 to 15 per cent. You now say that you get an average of 30 per cent on your lendings. How can that be possible?

A.—The 30 per cent realization is our gross income. After making allowances for bad debts, court expenses and all other incidental charges, we could realize only 12 to 15 per cent on our money.

Q.—Do you mean to say that in most of your lendings you will have to charge penal interest owing to the default of the parties on the due date?

A.—In the majority of cases, the borrower is not able to pay on the due dates at all, and it often happens that unless penal interest is charged, the amount is not realized. Naturally the interest realized at that time works up to 30 per cent gross.

Q.—You charge 7½ per cent on jewels?

A.—Yes, we have lent to about 5,000 people on jewels. Out of these 100 cases are at default. Invariably they are not prompt in their repayment.

Q.—Will it not be the case among indigenous bankers also?

A.—It is not so in the case of indigenous banks.

Q.—You want that the All-India Reserve Bank should co-opt local directorates in its branches at all district headquarters of provinces. Do you think that it is possible?

A.—Yes, it is possible.

Mr. Thomas: You state in your memorandum that co-operative societies have already ousted the money-lenders. Is that so?

A.—In most of the villages the money-lenders are becoming extinct. Co-operative societies have done a great deal towards this end.

Q.—In how many villages of the district you have got co-operative societies now?

A.—I do not know that exactly, but in my own village there is one society.

Q.—But it is often alleged that even in villages where there are co-operative societies, 75 per cent of the loans are given by the indigenous money-lenders. Is this true?

A.—It may be, but I am not acquainted with it.

Q.—In any village known to you where both these agencies function, can you tell me approximately what percentage of people resort to the society?

A.—Only a small percentage of the people resort to the co-operative society, but a majority in country parts go very often to their neighbours and satisfy their urgent requirements. Whenever a rich ryot in a village has got some money to spare, he immediately lends it to some neighbour who requires it. He does not generally go to a bank to deposit his money.

Q.—Could you give me the proportion of agriculturists that place deposits with your bank?

A.—Only about 10 per cent.

Q.—You speak of 125 joint-stock banks in this district. I suppose you include nidhis also?

A.—Yes.

Q.—Would you call nidhis joint-stock banks?

A.—They will in a way come under the category of joint-stock banks. They can do all the functions of a joint-stock bank except discounting of bills and the collection of cheques of their constituents. They do not invest their funds in Government security or trusts or on any other debentures. That is the only difference.

Q.—In regard to functions, all that a joint-stock bank does, the nidhis also do, but with regard to their constitution, is there not some difference?

A.—There are some differences in their constitution, such as the reduction of capital and the submission of some of the returns. The nidhis would not find it difficult to do these.

Q.—Do you agree therefore with the view that the nidhis should develop into joint-stock banks?

A.—I rather think so. That is my candid opinion.

Q.—Already the nidhis are just like joint-stock banks. Are they not?

A.—Yes, they do all the functions of a joint-stock bank more or less.

Q.—It is only in their constitution that there is some difference?

A.—Yes.

Q.—Do all the nidhis use the word "limited" after their names?

A.—Yes.

Q.—Are you aware of any recent judgment of the High Court concerning nidhis?

A.—Of course in the High Court judgment it is said that if a nidhi goes into liquidation, the liquidator has right to add as contributories the shareholders who have retired and that has caused a great deal of panic and unnerved the investing public. It affects only the people who have come

under the funds. But nidhis are not affected by this ruling of the High Courts, because the transferee becomes the holder of the share and he gets all the rights and liabilities of the transferor.

Q.—If the nidhis are going to be proper nidhis, the judgment will not affect them at all?

A.—Yes.

Q.—You speak of autonomous co-operative societies being started in the villages. What do you mean by that?

A.—Some literate people should be appointed to run these co-operative societies without there being the necessity to be guided from elsewhere.

Q.—But, at the outset, for organization and for safeguarding the interests of the members there should be some sort of control. Is it not so?

A.—Of course there should be some from at a distance but not too near.

Q.—Is not a co-operative society autonomous in the right sense? Is there any impediment or any interference now which is unjustifiable?

A.—Of course the unlimited liability is a Damocles' sword hanging upon the societies.

Q.—How is it?

A.—The members are so much afraid of the unlimited liability, but the limited liability would be a safe course to adopt.

Q.—But, in Germany all the societies are of that sort, are they not?

A.—Yes.

Q.—But the Damocles' sword does not hang there?

A.—No. India has advanced by gigantic strides in the course of the last 25 years more than any country.

Q.—You speak of developing the bills. Do you mean by that the commercial bills?

A.—The commercial bills have to be discounted.

Q.—We have got hundis. Are they not bills? What is lacking in them?

A.—There should be some sort of rediscounting of bills. If a person gives a joint pro-note, that should be a negotiable instrument.

Q.—Now what stands in the way of its being treated thus?

A.—The lack of confidence in the people stands in the way.

Q.—Is the real reason for that the fact that our bills are most accommodation bills?

A.—I do not think that there are any accommodation bills.

Q.—I am not sure if you quite follow the meaning of accommodation bills. They are merely to borrow money, is it not? Or are there genuine commercial transactions behind them?

A.—Certainly.

Q.—Is it not a fact that the reason the Imperial Bank does not do such business is because the proper kind of bills are not placed before them?

A.—Yes, it does not conform to the exact method followed in England and other places. It will be better if the standard is raised and brought on a par with what is obtaining in the western countries.

Q.—Therefore you think that the real difficulty is in our methods of business and that if they are improved, our commerce may develop and our securities may be more valuable?

A.—Conservatism comes in for a good deal. Most of these do not adopt the hundi system at all.

Q.—Do you think that the stamp duty stands in the way?

A.—The reduction of stamp duty on cheques has done a good deal to make these cheques more popular than they were before and even Tamil cheques are now being issued by some of the nidhis.

Q.—Have you found any difficulty in using the vernacular in cheques?

A.—There is no difficulty. I think that even the Imperial Bank can follow suit.

Q.—Is there no difficulty in deciphering the names?

A.—No. What I say is that bearer cheques should continue to be bearer cheques.

Q.—You would encourage the use of the vernacular?

A.—Yes, I would strongly urge the use of the vernacular.

Q.—Is it only a matter of having a certain number of pandits?

A.—There should be some people versed in calligraphy to spell through the signatures.

Q.—Do you think that the Imperial Bank and the exchange banks accept such documents?

A.—Why not? They can employ an expert or appoint a cashier or some other person whom they can hold responsible for dealing with such things.

Q.—Will there not be other difficulties in the way?

A.—If specimen signatures are obtained and verification is made there will not be any difficulty about it, and I do not think that anything will go amiss.

Q.—Has the cheque habit been increasing lately?

A.—Only very little.

Q.—Has it not increased after the abolition of the stamp duty on cheques?

A.—No. After the war ended there has been a plethora of money and so the cheque system has got into the province. The fabulously high prices which obtained in Southern India during the war has made especially Coimbatore a little bit rich and the cheque system in the vernacular began its genesis from that point.

Q.—Just half an hour ago we were told by another witness that Coimbatore had become poor and that on account of the poverty of the district the shares had to be withdrawn. Is that not true?

A.—That is only recently due to the dearth of rain. In the wake of the war the people were very much wealthy.

Q.—What percentage of your transactions are in cheques?

A.—About Rs. 30,000 or 5 per cent.

Q.—To how many people have you issued cheque books?

A.—To 15 persons.

Q.—What classes of people are they?

A.—Public institutions, private people, some vakils and some merchants too.

Q.—Do those cheques go to other persons in payment of dues and then come to you for payment?

A.—No. The other banks or nidhis do not honour our cheques and we do not honour the cheques of those banks or nidhis. Conservatism is still prevailing due to want to confidence. Also our articles of association have precluded us from doing such a thing.

Q.—Then you have made only just only a beginning in the use of cheques?

A.—Yes.

Q.—So it is not true to say that the cheque habit has "increased wonderfully" in the district as some one said to us yesterday?

A.—No. The increase is appreciable only as compared to what it was before.

Q.—People do not give cheques to their creditors and shopkeepers in payment of dues?

A.—They give it only to people of known status and identity.

Q.—In regard to the nidhi of which you are the Secretary, could you tell me what portion of the profits declared in 1929 was drawn from penal interest?

A.—It forms only a fifth part of the total amount of interest which alone is given in the statement.

Q.—Do you think that this proportion will hold good of a good many nidhis?

A.—I should think so.

Q.—Have you had occasion to learn details of the working of the other nidhis in this district?

A.—Of course I used to compare the activities of the various nidhis.

Q.—Could you tell me to what classes of people you have advanced these loans? You have only classified the loans from the point of view of the securities?

A.—We give jewel loans to most of these agriculturists and also other people pledge gold, silver, precious stones and other things.

Q.—What I want to find out is what percentage of the borrowers are trading people, what percentage are agriculturists and so forth?

A.—The greater part of them are agriculturists; invariably from January to March they want money for the payment of kist and they bring jewels and take money. At this time of the year there is an influx of jewels.

Q.—Are the jewels redeemed when they sell their produce?

A.—Yes. That happens usually some time in April or thereabouts. Also for performing some marriages and other ceremonies they require their jewels and so they redeem the jewels that they have pledged.

Q.—When do the cotton growers sell?

A.—Some time after April or May.

Q.—What proportion do you give to traders?

A.—About 20 per cent to the merchants dealing in grains and other things.

Q.—What about professional people like lawyers and doctors?

A.—They form about 5 to 10 per cent. They do not much resort to borrowing. Only Government servants, clerks and others form about 10 to 15 per cent and we lend money to them on the monthly payment system so that as soon as they get their pay, they can pay off their instalment of debts.

Q.—What reserve have you got?

A.—Nearly a lakh of rupees.

Q.—In what form does it exist?

A.—It is mingled with the ordinary transactions.

Q.—But are the profits only paper profits or are they real profits?

A.—They are real profits.

Q.—What bad debts have you, and what provision have you made?

A.—We make a provision for it year after year. We catalogue these things under the heading 'bad debts'.

Q.—What securities do you hold? Do you not keep your reserve fund in securities?

A.—We do not invest the reserve outside the concern. We rather hold it along with the working capital.

Q.—Why do you not invest in Government paper?

A.—It is because the return is not high enough.

Q.—If the securities were more profitable you would have invested?

A.—Yes.

Q.—What then is the security for the five lakhs of rupees deposited with you by the public?

A.—We have tangible debts on the pledge of jewels and loans on single security to the extent of Rs. 2 to 3 lakhs. These are all on on-demand pro-notes and every month we go through the list of the persons from whom money is due to us and we gauge the financial status of all the people to whom we have lent money. We lend money only to people of sound financial standing and status.

Q.—If there is a sudden call for the funds deposited with you, what will you do?

A.—We will demand the money from those of our customers who have borrowed money from us payable on demand.

Q.—What will you do if some of them fail?

A.—They will not fail and such a contingency has not arisen.

Q.—Supposing it happens? It has happened before in other places and in other cases?

A.—That is why I said I want a reserve bank.

Q.—Before the reserve bank is founded you must be making some provision for keeping your own reserve. What are you doing now?

A.—About Rs. 2½ lakhs we have given as loans on jewels and they are easily realizable and also the share loans are on tangible security and deposit loans are also easily realizable.

Q.—But that will mean delay, will it not?

A.—There may not be much delay.

Q.—Is what you say in conformity with banking practice elsewhere?

A.—We do not conform rigidly to such rules. We keep some liquid cash always and invest money in the local banks, the Imperial Bank, the District Urban Bank or the Madras Indian Bank.

Q.—But are you satisfied that the amount of cash you keep now in such banks is ample?

A.—The difficulty has not presented itself so far.

Q.—You must remember that this is a period of slump now and crashes generally happen in such a situation?

A.—It may not happen.

Q.—But it has happened in the past and such instances might repeat themselves. If such a contingency arises what will you do?

A.—We hope to realize a major portion of the moneys lent on the tangible securities.

Q.—Do you think that the way in which you are running your nidhi can be considered as typical of other nidhis in the district?

A.—Yes.

Q.—Have you had occasion to study the details of the other nidhis in this town?

A.—Yes, I have studied them.

Q.—Do you think that they are all running on secure and proper lines?

A.—I am not competent to pass any remarks.

Q.—Are you aware of the fact that many nidhis had to be wound up about four years ago? What safeguards have you taken to avert such a calamity?

A.—In the lending business we are very careful and we have limited our business too.

Q.—Have you any suggestions to make for the building up of a reserve fund for every nidhi?

A.—That is the *sine qua non*, the indispensable necessity for each bank to have a reserve fund.

Q.—What do you allot for reserve fund?

A.—About Rs. 5,000 has been set apart from the profits towards the reserve amount.

Q.—Is that provided for in the articles of association?

A.—It is not included in them and that is the pity of the whole thing.

Q.—Your suggestion is that it should be included in the articles of association?

A.—Yes.

Q.—Do you think that the law as it stands to-day sufficiently secures the interests of the public that deal with the nidhis?

A.—Fairly so.

(The Chairman resumed his seat.)

The Chairman: Is there not a provision in your articles of association that payments will be made on current accounts and for other deposits only if funds are available?

A.—There is no such provision.

Q.—The point I wish you to clear is this. In these funds there is a definite provision that deposits can only be withdrawn at any moment and this provision refers to what they call the current deposits. Is that not so?

A.—There is no definite provision. But the current deposits can be withdrawn at any time and for the fixed deposits to be withdrawn at least a month's notice should be given.

Q.—Have you no such provision in your own nidhi?

A.—Current accounts we will have to honour on presentation.

Q.—If you cannot meet a cheque drawn on you, you have got to go into liquidation. That is what it comes to. Is that not so?

A.—Yes. But we make a provision to meet such contingencies.

Mr. Shanmukham Chetti: Do you think that you are bound under your articles of association to honour the current account cheque when it is presented?

A.—Yes. We are on the safeguard to meet current accounts.

The Chairman: Do you consider yourself at liberty to close your doors when you think it fit to do so?

A.—No. We are bound to answer the Registrar of Joint-stock Companies too.

Q.—Have you got your hours of business?

A.—Yes.

Mr. Thomas: For what period do you receive your deposits?

A.—For one year and two years. We pay at the end of the period.

Mr. Maricair: At what rate?

A.—6 per cent.

The Chairman: In your balance sheet at the 30th of June there is a cash balance of Rs. 55,000. How is it that special efforts were made to collect the dues at the end of the year?

A.—Invariably the months of May and June are dull seasons. So all the money that is lent comes in.

Q.—Cash balance Rs. 55,000 is a big balance. Do you keep such balances all the year round?

A.—We do not have it all the year round.

Q.—Do you follow the same financial year as the co-operative department?

A.—Yes.

Mr. Gopala Menon: Do you think that the cheque habit has not increased in this district?

A.—After the war people have begun to use cheques more freely.

Q.—But it has not become popular, I presume?

A.—After the removal of the stamp duty on the cheques it has been made more popular and Tamil cheques are being used.

Q.—Are you issuing vernacular cheques?

A.—Yes.

Q.—Have you got any suggestions to make to popularize the issuing of more cheques?

A.—The Imperial Bank also should make it a point to take and issue in its branches vernacular cheques. The Imperial Bank should issue vernacular cheque books to its clients.

Q.—Do you think that if cheques are issued on the Imperial Bank for payment of Government salary and cashable at the treasuries, will there be better circulation of cheques?

A.—As it is the Imperial Bank is able to pay only on the encashment of cheques.

Q.—There are certain places where you have got treasuries but there are no branches of the Imperial Bank. Treasuries are not cashing cheques issued by the Imperial Bank say for the purpose of salary and other things. Do you think that if such a thing is developed cheque habit will receive further stimulus?

A.—Surely it will add further stimulus. People have now to wait for a long time to cash their cheques. There should be expedition in the encashment of cheques.

Q.—But what about the banks' responsibility to see that endorsements are in order?

A.—It is the banks' duty to see carefully passing order in cheques. In the case of bearer cheque the responsibility lies on the drawer.

Q.—But with regard to order cheques if endorsements are made in vernacular the banker takes the responsibility. Then special men have to be appointed in each bank to scrutinize these signatures and assure their identity, legibility and genuineness. Do you think that it is easy to get over this difficulty?

A.—Special functionaries must be appointed. There will be only about fifty clients whose names will be marked. Any functionary can identify their signatures.

The Chairman: Do you think that the signature in Tamil would be less easy to decipher or identify than in English?

A.—I think so. The Tamil expert can very easily decipher.

Q.—Is it customary in Tamil as it is in English to have the same writing on it?

A.—It is always so. With regard to the writing they give correct endorsements on the back.

Q.—Vernacular signatures are of invariable uniformity?

A.—It is the chief obstacle. Some of them do not put the same initials. I would suggest that the name of the father of the executor and the designation of the drawee should be specifically made on the other leaf.

Mr. Gopala Menon: In that way you realize there is some difficulty for midhis and bankers if Tamil cheques are to go to the Imperial Bank or any other bank?

A.—Indian bank does not find much difficulty and Tamil cheques are passed freely.

Q.—Are they not taking a great risk in paying the bearer cheques on which there is a special endorsement?

A.—The responsibility is greater. Experts are appointed to scrutinize these signatures.

Q.—I wish to know whether cheques drawn by the co-operative central bank on the Imperial Bank is cashed in any of the treasuries?

A.—It is cashed in the Imperial Bank.

Q.—Suppose it is allowed to be cashed in the treasuries. Do you think that cheque habit could further be developed?

A.—In places where there are not branches this system could be tried.

Q.—Will there be any great risk?

A.—Of course the revenue authorities concerned will surely exercise a judicious control and scrutinize the cheques before they are encashed. I don't think that there is any risk.

Q.—Do you like to put the responsibility on the passing officer in a bank?

A.—There will be no difficulty in the treasury to find out the identity of persons who are presenting cheques for encashment.

Q.—Suppose salaries above Rs. 150 are paid in cheques. Would that develop this system of cheque habit?

A.—Yes; all of them may deposit but may draw it as the demand arises. Men who are drawing about Rs. 100 are hardly able to meet both ends. I do not think there will be any balance to lay by.

Q.—My idea is I want to create a banking habit amongst these people. Even if a man gets Rs. 100 could he not put the amount in a bank and operate upon it?

A.—Of course he can; but he will have to draw it before the end of the week.

Q.—Do you think that in that way we can create a cheque habit?

A.—Yes.

Q.—Don't you think that by the issuing of postal cash certificates the bankers have been seriously affected?

A.—Only the poor ryots and labourers go in for postal cash certificates. The Imperial Bank and the joint-stock banks are not least affected.

Q.—Do you know the idea or the purpose with which the postal cash certificates were introduced?

A.—To induce thrift, prudence and parsimony among the labourers.

Q.—Does it not also encourage banking facilities where there are none available now?

A.—Yes. It is increasing. Not only the poor labourers but even the middle class men invest their money in postal cash certificates.

Q.—Have you got any suggestions to make it still more popular?

A.—The period should be reduced from five to three years.

Q.—You say that banks can undertake to sell postal cash certificates and also Government securities. Do you think that you can further popularise Government securities? Of course Government promissory notes can be directly purchased from the Government treasury. Are you correct in that statement?

A.—I was under that impression. I am open to correction.

Q.—Do you think that it could be made more popular?

A.—Yes ; by creating confidence in the minds of the poor ryots.

Q.—What is the lowest denomination for the Government paper now?

A.—It is Rs. 100.

Q.—Suppose the treasuries are allowed to sell these, will many people buy this?

A.—The denomination should be lowered to 25 and multiples of 25.

Q.—Do you think that we can then make the investment in other Government securities more popular?

A.—Yes.

Q.—Do you think that people in the villages would invest in these securities at the present rate of interest?

A.—The rate of interest should be on a par with the postal cash certificates.

Q.—Suppose the lower denomination is made transferable, will there be an increase in the sale?

A.—Transfer should be made very easy.

Q.—Can you think of any way by which the postal cash certificates can be made more popular?

A.—The year of redemption should be reduced and the rate of interest if possible should be raised a little higher on a par with the rate of interest paid by the co-operative bank or Imperial Bank on the deposits.

Q.—Is it possible to make that cashable at any time without loss of reasonable interest?

A.—It is not possible.

Q.—In regard to a question put by Professor Thomas you told him that there is some difficulty for the indigenous bankers in rediscounting their hundis. What prevents them from rediscounting the hundis at the present day?

A.—The difficulty is that they are not accredited. They do not pass on with much credit. The people have a good deal of misgiving. Hundis should be made negotiable on a par with the demand drafts. The rate of interest should be reduced.

Q.—Your idea is that the rate of interest should be reduced by legislation?

A.—Certainly.

Q.—Is it possible to reduce the rate of interest in the country by a legislation?

A.—Weekly or fortnightly information should be published about the rates.

Q.—Do you not think that it is a difficult matter?

A.—The Imperial Bank does not find it difficult.

Q.—Do you not think that it is only by competition that the rate of interest can be brought down?

A.—Yes.

Q.—Do you not think that the whole question of organization of the money market is the crux of the lower rate of discounting rates?

A.—Yes. We will be able to organize the money market and discount bills and do a large volume of business. The people withdraw their money on account of the glamour of interest.

Q.—Does it not in any way affect with the furtherance of commerce, industry or trade?

A.—That is only temporary. It is only during the slack season that there is surplus of money because of the offer of high rate of interest.

Q.—You say that on account of the banks' failures in 1913 and on account of the disastrous effects produced thereby merchants have drawn lessons. Can you give us the number of failures of the banks as far as you know since 1913 in this presidency?

A.—In this presidency few banks have failed.

Q.—Which are they?

A.—One of the banks in this town. It is due to want of management. It is only a nidhi.

Q.—Any other joint-stock bank?

A.—Only some failures in Punjab. Many industries were started throughout India. The Tata Industrial Bank which was started for purely industrial purposes had to be amalgamated with the Central Bank of India.

Q.—You cannot tell us of any bank in this presidency?

A.—No.

Q.—Failures of any indigenous bankers?

A.—No.

Q.—You have referred to the hoarding in gold and jewellery to the extent of forty crores of rupees in India?

A.—Yes.

Q.—You want these to be diverted into substantial investments. How can we do that?

A.—Invest them in industrial banks.

Q.—You say this money should be invested in industrial concerns. Of course it is a very good thing. How to get it done?

A.—It is a cardinal thing. Only by mass education and female education.

Q.—Do you not think that the co-operative department should attack the hoarding to some extent?

A.—Yes.

Q.—Don't you think that if increased banking facilities are given we might be able to attack this hoarding practice?

A.—There may be scope for the smaller depositors.

Q.—Is it due to want of suitable form of investment in the country that people are taking to investment in jewellery?

A.—Want of proper institutions for receiving the deposits and the want of confidence.

(The witness then withdrew.)

Thursday, 6th February 1930

COIMBATORE.

PRESENT:

Mr. H. M. HOOD, I.C.S. (Chairman).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. B. MUTHUKUMARASWAMI MUDALIYAR Avargal,
Proprietor, K.R.V. Press, Raja Street, Coimbatore.

Oral evidence.

The Chairman: Well, Mr. Muthukumaraswami Mudaliyar, I understand that you have considerable experience of these nidhis?

A.—Yes.

Q.—Can you tell me whether you know anything about the nidhis in Madras?

A.—I do not know.

Q.—How are the nidhis run here? People who want to become members join together?

A.—Yes.

Q.—They contribute what you call share capital?

A.—Yes.

Q.—They pay Rs. 2 per month for one share?

A.—There are two such banks of that kind.

Q.—Is that the common form?

A.—No.

Q.—What is the common form?

A.—Share money is paid.

Q.—What is the amount?

A.—There are shares of Rs. 100, 50 and 25.

Q.—Paid in lump?

A.—Yes.

Q.—Can they borrow against their share capital?

A.—Yes.

Q.—Can they withdraw it?

A.—It cannot be withdrawn.

Q.—Can it be transferred?

A.—Yes; it is transferable.

Q.—Monthly share?

A.—There are only two such companies which are without registration under the Companies Act.

Q.—How do these nidhis differ from any other bank?

A.—There is no difference.

Q.—You are connected with several of the nidhis?

A.—I am connected with Janopakara Nidhi, Ltd., Dravya Sahaya Nidhi, Vartthagasangam Nidhi, the City Bank, the Town Bank, and the Aryan Bank.

Q.—I take it you are a member of many nidhis?

A.—Yes.

Q.—What is the object of these nidhis?

A.—To receive deposits, to advance loans on jewels and to help people to grant loans and to give money on pro-notes.

Q.—You do not take any interest to know for what purpose the loan is raised?

A.—No. We do not enter into the question at all.

Q.—The main object of your nidhi is to run it in the interest of the promoters?

A.—It is for public good.

Q.—Do you think that these nidhis differ materially from any other form of joint-stock bank?

A.—There is no difference.

Q.—Is there any particular reason why it should be brought under a special legislation?

A.—There is no justification for any special legislation.

Q.—Do you consider it necessary or desirable to control these nidhis?

A.—No.

Q.—You do not think that it is desirable that there should be any further control by the Government beyond what is at present provided by the Companies Act?

A.—The nidhis may be compelled to deposit their reserve funds in some other bank. Now the reserve is being utilized as working capital with a view to earn interest.

Q.—What about audit?

A.—Our accounts are being properly audited now.

Q.—You consider that satisfactory?

A.—It is done satisfactorily.

Q.—You do not think that there is any need for control either by Government or anybody else?

A.—No need.

Q.—Is there any other direction in which you think there ought to be control over the nidhis?

A.—Only with regard to the reserve fund.

Mr. Thomas: You told the Chairman that the audit now being performed is quite satisfactorily. Have you heard of defalcations in certain nidhis?

A.—Yes, there are some litigations going on now regarding that.

Q.—Are there not certain cases pending in the courts?

A.—Yes.

Q.—Was there any complaint from the auditors before the loss of money was recovered?

A.—It was as a result of the audit that the case of defalcation was found out and the case lodged.

Q.—But the defalcation did not happen all on a sudden?

A.—It was as a result of the audit that the defalcation was found out.

Q.—How do you keep your reserve fund?

A.—I employ it as working capital.

Q.—Is there any rule of keeping a certain proportion of the profits as reserve fund?

A.—Only in the Town Bank, and in others there is no rule.

Q.—Why not place your reserve fund in the Imperial Bank or some other secure institution?

A.—The rate of interest given by them is not much.

Q.—You said that the reserve fund should be put in some other bank and you yourself are not doing it. Before legislation compels you, why not do it?

A.—In the Imperial Bank there is no interest.

Q.—If you lend out all your money and there is unexpectedly a demand for money how will you meet it?

A.—It is for that that I wanted that legislation.

Q.—In the whole of England there are only five big banks with numerous branches, but here in the town of Coimbatore there are about 80 to 100 banks. How is it so?

A.—To provide employment for relations and friends.

The Chairman: He who wants a secretary's post starts a bank?

A.—Yes.

Q.—Does the same apply to co-operative societies?

A.—I do not know.

Mr. Thomas: May I tell you that in England there were formerly many thousands of banks and on account of the competition and loss resulting from that they have amalgamated the different banks into five large banking institutions and they are each most solid foundations to-day. Would it not be to the advantage of all concerned if your *nidhis* in Coimbatore combine in the same manner. You are director of six *nidhis*. Why don't you exert your influence in that direction?

A.—There is no union.

Q.—Do you come from the *mufassal* or from the town?

A.—I am a resident of the town.

Q.—Loans are given on the security of shares? What proportion of the share value is so given?

A.—75, 80 and 90 per cent of the share amount are paid as advances.

Q.—What percentage of the share-holders thus borrow?

A.—40 per cent of the share-holders on the average.

Q.—What is the rate of interest?

A.—7½, 9 and 10½ per cent.

Q.—Why the difference?

A.—The difference is due to different rates in different banks.

Q.—Are you a landholder?

A.—Yes.

Q.—Where?

A.—In the Coimbatore town, Anamalais and in Gobichettipalayam.

Q.—Do you own cotton lands?

A.—All the lands have been let on *kuthagai*. On some of the lands the tenant cultivates cotton.

Q.—Do you lend to your tenants?

A.—No.

Q.—Do you lend in Coimbatore town?

A.—I keep my money as deposit in the banks.

Q.—Don't you lend to any one then?

A.—I lend in the villages.

Q.—Is any part of the money you lend borrowed from the *nidhis*?

A.—No.

Q.—Have you raised loans on share capital?

A.—Sometimes I do.

Q.—Can you not take loans from the *nidhis* at 7½ per cent and lend to the villagers at 9 or 12 per cent and thus do good business?

A.—I do not do that. I keep my money in the bank at 7½ per cent interest.

Q.—How do the shop-keepers here get loans?

A.—From *Saits* and *Marwaris*.

Q.—How many *Marwaris* are there?

A.—10 or 15.

Q.—What are the rates of interest on small loans given by them?

A.—9, 10½ and 12 per cent.

Q.—Is the *Marwari* rate of interest so low?

A.—That is the rate they charge.

Q.—Does the custom of deducting the interest in advance prevail here?

A.—No.

Q.—Do the directors specially recommend certain customers for loans and in return receive some *mamool* from them?

A.—No.

Q.—Is it not true that the secretary sends the application for loans to the director who is interested in the man and then that director writes 'yes' and it passes round without much opposition?

A.—Yes, that practice is going on.

Q.—How much of bad debts are contracted in the *nidhis*?

A.—You can find out from the balance sheet.

Q.—Do the directors get money at some rates of interest as others?

A.—No, there is no concessional rate of interest for them.

Q.—How do they dispose of unclaimed jewels pawned to the *nidhis*?

A.—We put it in auction after three months.

Q.—If there is a balance after paying the whole debt?

A.—It is sent to the owner.

(The witness then withdrew.)

Friday, 7th February 1930.

COIMBATORE.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

Mr. R. K. SHANMUKHAM CHETTIYAR, B.A., B.L., *Member, Indian Central Banking Enquiry Committee.*

M.R.Ey. V. SWAMINATHA AYYAR Avargal, B.A., Deputy Registrar of Co-operative Societies, Coimbatore.

Oral evidence.*

The Chairman: Mr. Swaminatha Ayyar, you are the Deputy Registrar here?

A.—Yes.

Q.—What about the co-operative societies, are they financing agriculture to any material extent?

A.—Most of them are financing.

Q.—How many societies have you got in the district?

A.—630 societies.

Q.—Agricultural societies?

A.—About 500.

Q.—That is about one for every three villages?

A.—Yes.

Q.—What are they lending money for?

A.—Mainly for their annual expenses for their family, some for discharge of prior debts and a third of it for cultivation expenses.

Q.—Only a third for cultivation expenses?

A.—Yes.

Q.—Do they get enough in the villages for cultivation expenses? Do they get all the money for cultivation expenses from the co-operative societies or do they borrow from elsewhere?

A.—They borrow from elsewhere.

Q.—Why?

A.—At times in certain societies the facilities offered are not sufficient. The panchayatdars do not take sufficient interest and loans are not readily available. On account of this indifference of the panchayatdars loans are not given promptly.

Q.—How long does it take to get a loan?

A.—Six weeks to two months.

Q.—Is that of any use for cultivation expenses?

A.—The money must be made available if possible within three weeks.

Q.—Have you tried it?

A.—We tried it in about 20 societies and have succeeded in giving the loans within three weeks.

* For written evidence, vide pages 1230 to 1232, vol. III.

Q.—How?

A.—A special inspector was put in charge of that and he took the union secretary along with him to the society and the people were asked to prepare the loan application, or in some cases loan applications were made on their behalf by the inspector or the supervisor, it was immediately taken to the union and sanction obtained. Thus money was obtained in three weeks.

Q.—Is that of any use?

A.—That is sufficient.

Q.—If a man wants Rs. 15 for manuring his land after the rains can he wait three weeks?

A.—But he applies earlier.

Q.—Does he?

A.—But he has made the application three weeks before the money is wanted.

Q.—When they get the money do they draw the whole of it at once?

A.—Of course it was arranged that Rs. 20 was to be given for one acre and Rs. 10 of it was paid immediately and the rest afterwards.

Q.—Do they need this Rs. 10?

A.—For garden lands they need it.

Q.—None of them had sums of their own?

A.—This year money was given to all of them on the condition that the cotton raised should be handed over to the Tiruppur Cotton Sale Society. A bond to that effect was taken from them.

Mr. Gopala Menon: We have been told during the past few weeks that several of the co-operative and primary societies are not working well. Do you think all these societies are well directed under honorary non-official management or do you think that the societies will work better when they have full-time paid officers. What is your opinion?

A.—We want full-time paid officers.

Q.—Is it your opinion that the non-official management has lacked in the past, I do not mean with regard to directors, I mean with regard to secretaries and treasurers and others who may be working solely at it but who are honorary officers?

A.—While some of them are good enough most of them are bad.

Q.—So is it your opinion that the time has reached when it should be worked by full time well paid staff?

A.—It is absolutely necessary.

Mr. Thomas: Is it true of primary societies as well?

A.—For primary societies also we want paid secretaries.

Mr. Gopala Menon: You referred to co-operative marketing organisations in your memorandum. What are your suggestions for improving the co-operative societies for marketing purposes?

A.—It must be a real trading society, necessarily owning a ginning factory, and must provide the necessary facilities to the producer to make the produce marketable, viz., ginning and crushing, godowns or sorting the produce and selling his produce in bulk with the produce of his co-members. These are my suggestions.

Q.—With regard to financing you say that these organisations could be brought under the State Aid to Industries Act?

A.—I know at present it does not come under that Act but I suggest that the Act be liberalised for that purpose.

Q.—Marketing is only with regard to raw materials; but this Act is intended for manufactures. Do you want it to be brought under the same Act?

A.—Yes. I have suggested three alternatives, the Imperial Bank of India, the Reserve Bank of India, or the State-Aid to Industries Act.

Q.—You know the functions of a Reserve Bank. The complaint now is that a bank like the Imperial Bank which is considered to be the bank in place of the State Bank have mixed up commercial business with the business of a bankers' bank, and therefore it has failed in its functions. So when a reserve bank is established it should have nothing to do with the marketing; it should entirely be a bankers' bank?

A.—My idea is this, the present district urban bank and the central bank are not the proper agencies for financing these trading societies.

Q.—Why?

A.—Banking and trading are two different things. If the trading societies are to succeed it must be managed by persons who know something of trading. As it is the central bank executive is very chary to finance them to the extent they require.

Q.—Before going into that may I know what is your opinion with regard to the societies that are already working, whether they have fulfilled the purposes for which they have been started? Have they performed their legitimate functions before they can be entrusted with other work and widen their activities?

A.—I may roughly say that they have done about a third of our expectations.

Q.—This committee is required to find out the ways and means of meeting agricultural credit finance. What is the method by which we can bring that into existence?

A.—I should like to make one suggestion and that is that all the district urban banks (Co-operative Central Bank) should have a branch at every taluk centre.

Q.—In addition to that at the headquarters?

A.—Yes.

Q.—In what way can you tackle the rural credit problem? How many villages are there in the Coimbatore district?

A.—More than one thousand.

Q.—What is the cultivation expenses required for one acre of arable land in this district?

A.—It varies but I can say Rs. 10 on the average, and Rs. 5 in the case of rain-fed cotton land.

Q.—So the total acreage of lands in the district multiplied by Rs. 10 will be maximum amount required for cultivation expenses. Co-operative societies have been started to finance the ryots to this extent. Is that not?

A.—Yes.

Q.—Have the co-operative societies fulfilled that function?

A.—Not yet.

Q.—In order to tackle this problem we have to find out an agency either in the shape of co-operative credit societies or other financial institutions say branches of some banks to go and work in the villages?

A.—Yes.

Q.—Before tackling the problem of supplying rural credit finance to the villages do you think that co-operative societies should undertake work in other directions?

A.—I want one society in every village to undertake agricultural finance.

Q.—Before achieving that object do you think that co-operative societies should tackle marketing and other avenues of work?

A.—I have said that for marketing there should be separate societies on a limited liability basis.

Q.—Do you think that co-operative department can find enough officers to attend to the kinds of work?

A.—I do not see why they cannot.

Q.—So the position now is that people in these villages have not taken steps to start this work because of insufficient propaganda?

A.—Yes, there is need for more propaganda.

Q.—Should this be done by the officials or non-officials?

A.—What after all can the officials do in the matter.

Q.—So it is the lack of enterprise on the part of the non-officials?

A.—Enlightened public opinion in the matter.

Q.—How are we going to tackle the problem?

A.—Some expert assistants may be got from the department. Unless co-operative societies are started in each village it is not possible, as things stand at present, to finance rural credit. The habit of banking must be ingrained before they attempt at bigger things.

Mr. Thomas: You have in this district about 500 co-operative societies?

A.—Yes.

Q.—Can you tell me in which of these villages societies work side by side with nidhis?

A.—No.

Q.—In some small towns do they work side by side?

A.—Yes, but not in many. The nidhis are mostly at the headquarters.

Q.—Is there no competition between them either for deposits or for granting loans?

A.—In the villages there are no deposits. It is only for granting loans that there is rivalry and even there those who are not members of the co-operative societies go to the nidhis.

Q.—Not otherwise?

A.—No, not otherwise.

Q.—Have you any idea as to the total deposits in the co-operative societies in the whole district?

A.—Do you want me to include the deposits in central banks also?

Q.—Yes.

A.—In the district banks it is Rs. 28 lakhs, in the agricultural societies Rs. 33,000 and in the non-agricultural societies Rs. 20 lakhs. In all about Rs. 50 lakhs.

Q.—Could you tell me at what season of the year do agriculturists want money?

A.—First during the time of cultivation and secondly during the time of kists and after harvest. For ceremonies, marriages and various other things they want money, but that does not apply to any particular month; it will be spread over the whole of the year.

Q.—You say that immediately after the harvest there is a great demand in the money which makes the agriculturist sell the produce at any price, without holding it up for a favourable market?

A.—Yes.

Q.—Can you suggest any means by which this demand of money and the consequent underselling of the produce could be averted?

A.—All that the cultivator could do is to get his produce to any co-operative sale society and get advance on the pledge of the produce and wait for a favourable market to sell it again. But those societies are only few.

Q.—Could the village primary societies in the city undertake marketing in any way?

A.—They do not undertake that work and they cannot.

Q.—Do you not think that unless the co-operative agency does both the lending and marketing no real or substantial help could be given to agriculturists?

A.—Yes.

Q.—What is the extent of operation of the cotton market at Tiruppur?

A.—I think last year transactions to the extent of nearly 8 lakhs were done.

Q.—What class of ryots come under this trading society?

A.—Last year some merchants also came to the business, but since last year we have taken steps to see that ryots alone are being admitted.

Q.—Does the society own any godown?

A.—The society had rented godowns to the extent of Rs. 2,000 for the year, but this year it has constructed godowns of its own.

Q.—Have they got any special staff for spinning and ginning?

A.—They are being employed for ginning.

Q.—To whom does the co-operative society sell its goods?

A.—It sells it to the big merchants and the mills without any middlemen. Sometimes the kapas are sold to the merchants too. The society does all sorts of business and we have no concern in it.

Q.—Have they any expert to judge about these things?

A.—Excepting the manager who is an inspector deputed to the work by Government this year, others are not experts in the business.

Q.—Has he any commercial training?

A.—No, he has no commercial training, but he has been doing non-credit work for the last two years. Government have lent his services.

Q.—Is there sufficient co-ordination in this district between the Agricultural Department and Co-operative Department? Do you get any help from the Agricultural departmental officers in carrying out co-operative activities?

A.—Sometimes the demonstrators attend the meetings of unions, beyond that there is nothing.

Q.—Have you found any kind of inconveniences arising out of lack of co-ordination between these two agencies?

A.—The point is that when the ryot wants the Agricultural Department he goes over there and when he wants any help from the Co-operative Department he comes over here. Therefore there is no question of lack of co-ordination.

Q.—Do you agree that in order to improve the condition of the rural population better business and therefore better marketing are absolutely necessary? The improvement of agriculture by itself may not often improve the agriculturist. Therefore without the proper co-ordination of the two departments, how can you expect any rural uplift? What do you think is the proper agency for affording proper marketing facilities?

A.—These are absolutely necessary and must be done by the Co-operative department.

Q.—To carry out such work effectively, much propaganda work has got to be done. Do you think that co-operative agency is sufficient to perform that task successfully?

A.—Yes.

Q.—Are any impediments at present in the way of the Co-operative department carrying out such work?

A.—We cannot say there are impediments. I am not quite sure the Agricultural department is very anxious or earnest in spreading the knowledge through the co-operative societies.

Q.—Have they got their own agency to do that work?

A.—They have got their own demonstrators.

Q.—As a co-operative officer have you felt the need for greater co-ordination and co-operation of the activities of Government in regard to the improvement of the cultivator. I mean, making him do better business, and thereby get better return for his crops?

A.—Each of us is attending to our own business in our own way.

Q.—I think you have told the chairman that to meet the ryots' cultivation expenses you have been giving them loans at the rate of Rs. 10 per acre at the first instance. Are you sure that the ryots are making use of that money for raising the crop?

A.—I am not sure. In fact we have got an estimate also of the result of the money given to them as to how much crop is likely to be raised, etc.

Q.—You say therefore that there is not much fear of their diverting their money to other purposes?

A.—This year we were very particular about that.

Q.—What is the state of overdues in this district?

A.—Not much, except in one area where the season has been disappointing for the last two or three years.

Q.—What is the proportion of your long and short term loans?

A.—One-fourth of the loans are given as short-term loans and three-fourths as long-term.

Q.—How long have you been in the service of the Co-operative department?

A.—In this district I have been working as the Deputy Registrar for the past two and a half years and as a District Labour officer in the Tanjore district, I had done co-operative work for three years in the Labour department.

Q.—Is the Usurious Money-lenders Act very effective in this district?

A.—I have no knowledge.

Q.—Have you been able to make enquiries into the indebtedness of the ryots in this district in the course of your co-operative activities? Can you also tell me how the ryots get themselves indebted?

A.—No. The reason is that most of the ryots do not prepare their receipts and expenditure on various items and they do not mind to tell us the amount they spend on marriages, ceremonies, etc.

Q.—What percentage of the total borrowings do they require for cultivation expenses and how much of it is met by the Co-operative department in this district?

A.—One-third of the short-term loans now given by the co-operative societies to the ryots may be taken as the rough proportion for agricultural expenses.

Q.—Has that been lately increasing?

A.—Yes, substantially.

Q.—You speak of the inordinate delays in the grant of loans under the Land Improvements Act. Have you had any experience of that?

A.—I have seen a lot of cases myself in Tanjore.

Q.—Is it your opinion that ryots get loans much quicker from co-operative societies, than from the Revenue department under the Land Improvements Act?

A.—I have no experience of that in this district. But I know how it works in Tanjore?

Q.—What is the usual period needed for a ryot obtaining takavi loans?

A.—I have no idea about that.

Q.—I suppose the weaver societies also come under your supervision?

A.—Yes.

Q.—How many societies are there in this district?

A.—About five or six in all this year.

Q.—Where are they?

A.—Two societies are at Bhavani, one at Kollegal, and the rest at Maria-nallur and elsewhere.

Q.—Are they both doing both credit and marketing business?

A.—All except Bhavani are confined to credit activities only. No provision has been made for marketing.

Q.—Are they working well?

A.—They are not functioning well, because the weavers are a set of hopeless men. They spend all their money, never care about their profits and it is difficult to deal with them.

Q.—How are they marketing their products now?

A.—During seasons they take their product to the shandy and sell it there. Sometimes they sell it to the big merchants here.

Q.—Could not you put more money into the pockets of the weavers by organizing marketing by means of the co-operative agency?

A.—I have no faith, if anything could be done in that direction.

Q.—Could not you educate them to do things better?

A.—That may be done, but it will take a very long time.

Q.—Has there been no improvements?

A.—I do not see any sign of their improvement.

Q.—Have sufficient efforts been made in that direction?

A.—It is said that the efforts of all societies have failed.

Q.—Has it failed on account of their improvidence or on account of want of organization?

A.—It is all due to want of forethought, incapacity to understand things and inability to get over the drink evil. It is not encouraging to bestow more attention on them.

Q.—Has the attention given and the experiment made sufficiently comprehensive to make a judgment?

A.—Enough has been made to produce the necessary result, but we have met with disappointment at every stage.

Q.—What about the marketing side?

A.—The marketing side is none the less better. As soon as he produces any cloth, he at once sells it without our knowledge either in the shandy and to any other merchant.

Q.—Do you enter into a contract with him to the effect that he should sell all his cloth through to the society?

A.—There was no contract exactly made with him, but that was the understanding, but he never kept up to his word.

Q.—Is it a definite understanding that the finished product should be given over to the co-operative society?

A.—Yes.

Q.—Could you not enforce it?

A.—Whenever he produces, he sells it in another market outside, and comes to the society only if he is not able to sell it anywhere else.

Q.—Suppose a central market is organized with a view to obtaining better prices. Would not this be an incentive to the weavers to sell their wares through the society?

A.—Nothing would make him improve. I am rather pessimistic about any new proposal.

Q.—They may be ill-organized, uneducated and may have all the imaginable bad qualities. Elsewhere co-operation has redeemed even worse people. Indeed progress may be slow and the work may be discouraging; but unless co-operators like you work with faith and persistence, how can those poor weavers have any hope? Is your pessimism justified?

A.—We have tried at every stage and there is no little effort wanting on our part. We have failed.

Mr. Shanmukham Chettiyar: You were telling the chairman that you made some experiments in certain societies with a view to expedite grant of loans to agriculturists just at the time when he wants them. You said that so many who made their applications about three weeks in advance of their requirements actually got their loans in time. Do you think that a system like this could work?

A.—Yes, a sort of forecast system may be prepared and this would work well.

Q.—Have you tried it?

A.—Yes, we have got a forecast system already.

Q.—What experience have you got about that?

A.—In my opinion it is successful. It has been working for the past eight or nine months.

Q.—Do you consider that the result of your experience warrants an extension of that system?

A.—Yes. Our forecast system is only for a particular crop and not for a year. The crop is to be immediately brought to the Tiruppur society after the harvest.

Q.—So it is a sort of modification of the annual forecast system. Is that so?

A.—Yes.

Q.—Do you think that that restricted system of forecast system would be more successful?

A.—I think so.

Q.—You have got in your memorandum something rather harsh to say upon the indigenous bankers. You say that they do this business with the object of securing their gain and not with the idea of improving the ryot and the methods and systems adopted by these agencies are to ensure their money. I suppose even in co-operative societies the methods and systems are primarily to ensure the money lent. What is the peculiar feature in the indigenous bankers alone?

A.—There are other considerations also. Their rate of interest, the time of repayment, the possibility of repayment and the harsh conditions imposed and the various other penal provisions imposed are indeed peculiar features nowhere to be found in the methods adopted by co-operative societies.

Q.—Do not these provisions exist in the Co-operative Societies Act also and are they not enforced?

A.—Not to the extent to which the money-lenders enforce. We give them all facilities till he is himself able to repay.

Q.—After the advent of co-operative movement, do you think that the money-lenders have been displaced to a considerable extent in the villages. Do you know of any village where the money-lenders' activities have been curtailed or curbed or where they have been displaced?

A.—In many villages money-lenders have been displaced by co-operative societies.

Q.—Can you think of any village in your experience either in Tanjore or in Coimbatore that as a result of the establishment of co-operative societies in those villages, the money-lenders have actually shut their shops?

A.—The very fact that in some of the villages there are no other agencies except the co-operative societies is enough proof that they have been displaced, or their business considerably curbed.

Q.—Co-operative societies are no doubt popular institutions. But what I want to know is whether they are only acting as additional feeders or agencies for supplying money or are they displacing the money-lenders?

A.—My own opinion is that they are displacing the money-lenders.

Q.—Do you think that with the gradual development of the co-operative societies on modern lines the activities of the money-lenders will further be curtailed?

A.—I hope so.

Q.—Would you advocate any positive act on the part of the Government to restrict the activities of the indigenous money-lender or do you think that they really play an effective and important part in the rural economy?

A.—The money-lenders are concerned only with their own money and their own interests and the sooner they are displaced the better.

Q.—Do you think that by the gradual development of co-operative societies on wider lines the activities of the money-lenders would be still curtailed?

A.—I hope so. The villagers should not borrow from anywhere. The whole village must go to the co-operative societies.

Q.—Would you advocate that Government should restrict the activities of the indigenous money-lenders or do you think that they are really playing an effective and important part in the rural economy?

A.—They are concerned only with their money and interest.

Q.—Do you think as a result of the rapaciousness of the money-lenders land has passed from the hands of the ryots to the money-lenders?

A.—The money-lender is a man who wants only money. The land is transferred from one ryot to another. He is concerned only with money. He transfers it to another man and gets more money.

Q.—The average ryot is always suffering. His liabilities only increase day by day and he goes on borrowing from one ryot or other. Sooner or later the land must come to the money-lender?

A.—The money-lender does not wait for it. He gets money from others.

Q.—Where does he get the money from?

A.—Only from the ryot.

Q.—What I mean to say is this? As the land of the ryot passes from one ryot to another the result is that he has to incur an additional debt? In most cases the money-lender can be repaid only if the lands is transferred to him?

A.—I should think it so.

Q.—If another ryot purchases the land wherefrom does he get the money?

A.—He again goes to another village money-lender or to people who have got fascination for lands.

Q.—If a ryot purchases a land from another ryot which has already been mortgaged to the Marwari what invariably happens is that he has to sell his land. The name only is changed but the indebtedness still remains?

A.—Yes.

Q.—Ultimately if the money has to be paid it must be by somebody coming from outside the village coming with actual cash or by himself purchasing the land?

A.—Yes; the co-operative societies must lend money.

Mr. Thomas: Are there not fellow ryots who have made savings?

A.—Yes; there are.

Mr. Shanmukham Chettiyar: If really the money-lender is rapacious and if the ryot has to be ruined are there evidence of many cases in which the land has been transferred to the money-lenders in liquidation of that debt?

A.—It is not necessary that the land should be transferred.

Mr. Muthiah Chettiyar: Is the money-lender anxious to own lands?

A.—No.

Q.—Is he anxious to sell his own land?

A.—Yes.

Mr. Shanmukham Chettiyar: Do you think that the ryot can raise as much amount from the Land Mortgage Bank or from the Agriculturists Loans Act as he is raising from the Nattukottai Chettis or money-lenders?

A.—No. In the case of the land mortgage bank he cannot get so much amount as he is getting from the money-lender.

Q.—How is it possible to replace the indigenous banker?

A.—The villagers should go to the co-operative societies or land mortgage banks for small loans. Only those who require a pretty large sum need go outside.

The Chairman: You know that the ryot does borrow 80 per cent of the value of the land. Is there any chance of his paying it back?

A.—Absolutely no.

Q.—Therefore the theory of Nattukottai Chettis is only paper and that the amount is not collected?

A.—Yes.

Mr. Gopala Menon: Your view is that the co-operative societies can completely eliminate the indigenous money-lenders?

A.—Not completely. A portion of the indigenous bankers may be removed.

Q.—Is it not better to adopt some means to check his ways and still retain him as a unit in the banking profession?

A.—For my part I don't mind the indigenous banker giving loans above Rs. 5,000. The ordinary ryot who wants only about Rs. 5,000 must be financed by co-operative societies and land mortgage banks. Let him have his activities outside.

Mr. Shanmukham Chettiyar: In your co-operative societies do you discount the bills of your members?

A.—No.

Q.—Are you prohibited from doing it under the Act?

A.—It is not done.

Q.—We are talking about the co-operative societies coming to help the ryots in marketing their produce. Don't you think that it would take more time for the ryot to take his produce to the Tiruppur market? Does he not lose by immediately transferring it to another man in the village? If it is held for sometime there is some chance of getting a better price. Don't you think that if co-operative societies extend their activities in this line it would be more useful?

A.—I am not quite sure about it.

Q.—As matters stand at present there is no agency by which all the produce could be marketed in India. Do you think that if we try to discount the bills of the members it would be beneficial?

A.—I have got faith in it.

Mr. Muthiah Chettiyar: In your reports you say that the ryots get loans from the indigenous bankers from 9 to 24 per cent? What is the rate for loans less than Rs. 5,000?

A.—The rate for over Rs. 5,000 is at 9 per cent.

From Rs. 1,000 to Rs. 5,000 it is about 10 to 12 per cent.

For sums below that it ranges from 20 to 24 per cent.

Q.—Can you tell me the net return on his capital excluding his expenses?

A.—It might be about 12 per cent.

(The witness then withdrew.)

Friday, 7th February 1930.

COIMBATORE.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. SETH NARAIN DAS RADHAKISHENDAS LULLA
Avargal, Proprietor of Seth Naraindas Jamnadas, Bankers,
Coimbatore.

Oral evidence.

The Chairman: Mr. Radhakrishendas, you are carrying on business as a banker?

A.—Yes.

Q.—What is the nature of the business which you conduct as a banker?

A.—We give on hundis, we give money on jewels, on demand pro-notes and on kathas or current account.

Q.—About this hundi business for what purposes are these hundis used?

A.—We prepare these hundis on the Government stamp paper. He who requires money will sign the hundi paper and we give money to him.

Q.—To whom?

A.—To the merchants.

Q.—What kind of merchants?

A.—We give money to big zamindars, merchants and mill-owners who require money for their business.

Q.—You are lending on pledge of jewels?

A.—It is only on very rare occasions that we ever lend on jewels.

Q.—You do not do much money-lending on jewellery?

A.—No.

Q.—That is not the main line of your business?

A.—No.

Q.—Your chief business is on hundis, pro-notes and on current accounts?

A.—Yes.

Q.—For what purposes are most of the loans taken?

A.—All the parties who take money from us take it to lend to the agriculturists, to the cultivators and to the small merchants. They utilize the money got on hundis for doing their own business and advance money to the cotton merchants and others.

Q.—You are not financing trade?

A.—We finance the traders also.

Mr. Gopala Menon: May I know how you carry on your banking business? What I mean is whether you carry on business in the chief towns of the Presidency or in the mufassal?

A.—It is in the Coimbatore town.

Q.—Have you got branches in the villages?

A.—No. We ourselves daily go to Dharapuram, Udamalpet, Tiruppur and Satyamangalam and lend money there.

Q.—Where is your head office?

A.—In the Coimbatore town.

Q.—And you do business for the whole of the Coimbatore district, I presume?

A.—Yes.

Q.—Is it by sending agents to the chief commercial towns in the district?

A.—Yes.

Q.—So you live in the capital of the district and you send your agents to the commercial centres in the Coimbatore district for doing business?

A.—We send our agents who lend money and get hundis from the persons to whom money is given.

Q.—You send your agents for the purpose of advancing money on goods or on personal security?

A.—We give money on personal security only.

Q.—In Coimbatore town do you lend money on goods?

A.—Generally we do not give. On rare occasions we give.

Q.—On those rare occasions how do you advance money on goods?

A.—In such cases we keep the goods in our custody.

Q.—What is the extent to which advances are made on the goods?

A.—We give from 70 to 80 per cent and this depends upon the stability of the person to whom the amount is advanced.

Q.—So you do not take any hundi or any bill from that person?

A.—No. We do not get the signature on the hundis but we get a statement from him to the effect that the goods are placed in our custody and that he has taken so much loan at so much per cent interest and that he must return the money at a specified time.

Q.—Do you take a letter of agreement when you advance the money? That is otherwise called the *vartamana pathram*.

A.—Yes.

Q.—Then you receive money on the due date, I believe?

A.—No. We get the money as and when he may give. For instance if the man borrows Rs. 10,000 payable within three months and if he gives Rs. 1,000 or Rs. 2,000, after even a fortnight we take the amount and give him some goods. He may do that.

Q.—What I want to know is whether in addition to this letter of agreement you have got any voucher for the amount you have advanced?

A.—We only take this agreement on a stamped signature and whenever he takes a portion of the goods he must pay a portion of the money also before he removes the goods.

Q.—And whatever money he pays you write on the back of the agreement?

A.—Yes.

Q.—That shows that you cannot utilize the money till the due date?

A.—We get a written statement from him saying that he will pay within three months. In case he brings the money within a month we take the money and give him back the goods.

Q.—But my point is that you are not able to utilize a larger percentage of your advance, excepting the few thousands that he may be able to pay back, until the due date. Is it not so?

A.—Yes.

Q.—Who is your banker?

A.—The Imperial Bank.

Q.—Instead of advancing in this manner by taking a letter of agreement and receiving small sums of money why do you not take a hundi from the party to whom you advance the money and discount it with the Imperial Bank? My point is that you can utilize your own money on a wider scale if you take a hundi from that merchant and discount it with the Imperial Bank because the Imperial Bank may advance you upon that 60 per cent or 70 per cent of the hundi amount and that will be available to you for further business in the city. Do you not think so?

A.—The practice is this, when we advance money on the security of goods we cannot give hundis for that amount to the bank and get money because in that way the person who keeps his goods as security is inconvenienced. He goes on paying small instalments to us. But he cannot do so with the Imperial Bank.

Q.—But you need not ask the party to meet the hundi on the due date. You can receive the instalments of Rs. 1,000 or Rs. 2,000 yourself and then on the due date you can yourself meet the hundi. Can you not do that?

A.—In that case the hundi will be with the Imperial Bank and the goods will be with us. That is not the custom.

Q.—Could you not rotate your capital much more quickly if you follow my suggestion?

A.—We do not adopt the hundi system and even if we did as you suggested and discounted the hundi in the Imperial Bank, we would consider that as a piece of dishonesty.

Q.—Where is the dishonesty there?

A.—We do require money but if we take the course you suggest we will have more capital. That is true. But then it is considered by the Multanis to be a sort of dishonesty. That is the view we take. Suppose I keep my goods with you as security and take a loan from you of Rs. 10,000, then I execute a promissory note to the value of Rs. 10,000. You go and discount it with the Imperial Bank. What you mean is that I should go on paying you in small instalments and take away the goods and then on the due date you will pay to the Imperial Bank. That is a sort of dishonesty if in the meantime you go bankrupt. But I would have already paid a major portion if not all the money and would have taken my goods. The goods are no more security and the bank stands to lose.

Q.—Do you mean to say that in the case of the banker going bankrupt, the Imperial Bank will not get the money from the banker and that the party will be held responsible?

A.—Yes.

Mr. Thomas: I suppose you use usance hundis?

A.—Yes.

Q.—Suppose you have got a usance hundi and you are in need of money. Will you not discount the usance hundi with a bank?

A.—Yes.

Q.—Is there any dishonesty in that?

A.—There the case is entirely different.

Q.—You have endorsed that hundi?

A.—Yes. But here we lend the money on the personal security to the party and there is not much chance of his going bankrupt. In the other case the party pledges the goods with us and that means he is already bad.

Q.—You have got the goods in your possession?

A.—Yes, and we take payment in instalments, and deliver part of the goods.

Q.—And therefore if you want money, you can endorse such bills also and partly on your security and partly on that of the goods, you could discount it with a bank?

A.—But the goods. If I endorse the hundi the person who has drawn the hundi is responsible. I have no right to take the payment from him because the hundi is not in my possession.

Q.—I don't follow you.

Mr. Gopala Menon: Are you not lending cash to petty merchants and shop-keepers in the city?

A.—Yes.

Q.—Such hundis are discounted with the bank?

A.—To every small parties we do not advance.

Q.—What is the Multanis' main business?

A.—Advancing on hundis and discounting hundis.

Q.—Do you not take part-payment from the party who has given the hundi?

A.—We do take part-payments.

Q.—You do not allow him that advantage if you have discounted the hundi with another bank?

A.—When we have endorsed that hundi to the bank that bank alone has the right to get payment.

Q.—Do you ask that party to go and pay it to that bank on the due date?

A.—That party receives an intimation from the bank and he will pay it direct to the bank.

Q.—If you rediscount such hundis you can rotate your capital more quickly?

A.—I do not follow you exactly.

Q.—To what extent are you financing the agriculturist?

A.—We advance money to the large land-owners and the rich zamindars, and also to those who finance the agriculturists.

Q.—Would it appeal to you to finance the small agriculturists on a much freer scale instead of going through the rich landlords?

A.—We do not advance to small ryots.

Q.—Nor your community?

A.—Nor our community.

Q.—It would not appeal to you?

A.—It is not secure.

Q.—But they are all short-term loans for cultivation expenses. You can get back the loan in three or six months' time. Do you think you can advance money to the ryot?

A.—Whenever we do advance we do it in this way: We take a hundi from the person who receives the loan and take a joint signature from a larger party.

Q.—My point is we want more financial agencies to come into existence in the country to help the agriculturists in the way of short-term loans. Would it suit your community bankers to open offices or branches in the interior and help the agriculturists in order to obtain agricultural credit finance?

A.—There are the local people to help them and we help these people.

Q.—What are the different kinds of hundis you have?

A.—The demand hundi is the only kind of hundi.

Q.—Is the Shajog hundi which is current in the Madras market, current in Coimbatore?

A.—Shajog hundis are only hundis payable to respectable persons and they are just like cheques payable to bearer, if any person's name is mentioned it is called Namjog hundis.

Q.—Suppose as a result of this enquiry legislation is made to restrict the rate of interest to a certain limit. Would you agree to such a legislation? Suppose a law is passed that indigenous bankers should charge only 9 per cent. would you like that restriction or would you take offence at it?

A.—That depends on two things, the Imperial Bank rate, which if lowered we will lower our rate also and the second factor is we charge a higher rate of interest it is because we take greater risk also. If the security is good the charge will be small, but if it is bad we charge a higher rate. We take the risk and sometimes lose also.

Q.—What is the rate you charge now to a good party?

A.—At this time it is from 9 to 12 per cent.

Q.—Even if they are smaller parties?

A.—We do not charge more than 12 per cent.

Q.—Will you approve of your accounts being audited by your own community auditors who have got a certificate in auditing?

A.—Yes, we have objection provided the accounts are not published at all.

Q.—But the Imperial Bank would like to have your balance sheet periodically in order to give you more credit provided you want more. Our object is not to find out any flaw in your system of banking or any other thing but it is for the purpose of utilising you as a financial agency for the good of the country as a whole?

A.—This thing can be decided only after knowing exactly what are the facilities which you are going to give us.

The Chairman: We want to know what the present position is and what facilities there are for developing it?

A.—Multani bankers are averse to get their accounts audited and made public.

Q.—Are there different kinds of Muddati hundis?

A.—There are no different kinds.

Q.—Have you come across hundis bearing interest?

A.—Generally the interest is paid in the beginning.

Q.—How is it paid?

A.—We pay the party the amount of the bill minus the interest for the period of the hundi.

Q.—That is not referred to on the muddati hundi form?

A.—No, the interest is not mentioned on the face of it.

Q.—Do you receive or discount hundis from other class of bankers?

A.—Yes, we do.

Q.—Do you ever get nadappu hundis?

A.—No, we do not discount it.

Q.—Do you know what they mean by their nadappu rate?

A.—I know what it is. It prevails amongst the Nattukottai Chettis.

Q.—Do you get any of their nadappu hundis at the nadappu rate?

A.—I do not take those hundis. If a Nattukottai Chetti wants money from me I take a hundi from him and then advance to him money 2 per cent above the Imperial Bank rate.

Q.—Do you find that type of hundi in use?

A.—That is existing among Nattukottai Chettis.

Q.—Would the utilization of that type of hundis stand in the way of business between different types of bankers?

A.—It is difficult and hence we do not negotiate such hundis at all.

Q.—Would it be advantageous to restrict the forms of hundis and make those uniform throughout the whole of India?

A.—It is advantageous to have one form of hundi and our form is the best.

Q.—The Nattukottai Chetti may say that his form is the best. You agree that it would be good to have the hundi form standardized?

A.—I have no objection provided it is our form.

Q.—Your hundis are used locally or do they travel all over India?

A.—Our hundis travel throughout India.

Q.—It is only a matter of examining the different kinds of hundis used by different classes of bankers and then coming to a decision as to which kind is good for the whole of India. Any action of that kind would naturally be designed to facilitate trade?

A.—If the form we use is standardized, then we have no objection.

Q.—That would be for an All-India Committee not a Provincial Committee to decide.

Mr. Thomas: You are called Shikarpur Multanis? Is yours a family business or do you work with partners?

A.—It is neither family business nor a partnership business. We belong to one particular town called Shikarpur and we are generally called Shikarpur Multani in these parts.

Q.—You have your head office at Shikarpur?

A.—Yes.

Q.—Have you any other branches in South India?

A.—We have our agents at Salem doing business.

Q.—What is the relation between your firm here and your head office at Shikarpur?

A.—That is our chief controlling office.

Q.—Do you generally get money from Shikarpur?

A.—We get whatever money we require from Shikarpur, over and above our capital and our income through discounting hundis, etc.

Q.—Does your head office take any deposits from the people there?

A.—No, there also they are having their own capital.

Q.—Do you deal in commodities on commission basis?

A.—Our business is mostly of money-lending. We do not deal in any commodity.

Q.—Have you lent at Tiruppur?

A.—Yes. We have lent to various merchants at Tiruppur.

Q.—Do you lend money on single signature or do you insist on double signature?

A.—In the case of first class parties, we are satisfied with single signatures, but in the case of people whom we do not consider sound, we insist joint signatures.

Q.—What is the proportion of loans given on single signatures?

A.—It is not possible to say that. It all depends upon the party to whom we advance.

Q.—Have you had any difficulty in getting back the loans made on single signatures?

A.—If the party is good, there is no fear for the return of the money.

Q.—Suppose the party looks stable at the outset, but afterwards turns out to be a bad debtor. Are there not such cases where you have taken single signatures only?

A.—Yes, these instances have occurred on account of the failure of the party and that is why in recent cases we insist on double signatures.

Q.—The Imperial Bank to-day lends on double signatures. Do you think that that security is absolutely essential or is it not superfluous seeing that they lend only to pucca men?

A.—This ensures more safety.

Q.—Do not you think that it causes any difficulties to the businessmen, especially those do not like to be under the obligation of another man for acting as surety? Could it be avoided? Have you got any suggestions to make in that connection?

A.—I have no suggestions to offer.

Q.—Have you ever carried on any acceptance business?

A.—That custom does not obtain in our community.

Q.—Are you really bill-brokers?

A.—We do not deal in that business.

Q.—Do you lend to zamindars? On what security do you lend?

A.—Yes, on personal security, but never on mortgages.

Q.—What is the smallest sum you generally lend?

A.—We advance according to the requirements of parties. The smallest sum that we generally advance is Rs. 1,000.

Q.—On page 6 of your written memorandum you urge the desirability of abolishing discriminatory laws. What do you mean by discriminatory laws?

A.—We had in our mind the Insolvency Law when we drafted our memorandum. The Insolvency Law and other laws are all against the money-lenders. That is what we want to be abolished or replaced.

Q.—You say your interest varies from 6 to 9 per cent. To what parties do you charge 6 per cent?

A.—Our interests vary according to the rate of the Imperial Bank. We always charge 2 per cent above the Imperial Bank rate.

Q.—You refer to a system where different bankers can pool together their capital and then work in different areas for the common cause and form combines. For what purpose do you want that system to be brought into existence?

A.—That is our suggestion to strengthen our position and to expand our business.

Q.—Why do you not yourself combine and make joint efforts to expand your business? Why do you want a separate agency to do that work? Is it not your own look out?

A.—As we said, our business may be increased if such suggestions are carried into effect.

Q.—You further refer to the elimination of unhealthy competition, which you say, is prevalent among yourselves? What is the unhealthy competition you are referring to?

A.—What we meant was that even, as it is, there is a great competition going on among our own communities and in order to see that each of us get our own share of business we made the suggestion.

(The witness then withdrew.)

Friday, 7th February 1930

COIMBATORE.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. M. A. MUTHIAH CHETTIYAR, B.A.

Khan Bahadur HAMEED SULTAN MARICAR SAHIB Bahadur.

SALRAJ, Partner of Messrs. Ottajee Southanjee & Co.,
Biz Bazaar Street, Coimbatore.

Oral evidence

The Chairman: Mr. Selraj, you are carrying on business as a banker?

A.—Yes.

Q.—What is the nature of your business?

A.—We lend money.

Q.—What is the security?

A.—After taking into account the property they have got and according to the stability of the person we advance money.

Q.—How much you advance?

A.—According to the stability of the person we give him. We fix a limit, say, about five to ten thousand. We advance according to their requirements. If we want money and if they have got money available with them we also go and take back money from them.

Q.—Are you giving money to weavers?

A.—Yes.

Q.—Others?

A.—Yes; the capitalist weaver has got 100 weavers under him.

Q.—You lend this money on pro-notes?

A.—We make an entry in the account book, take their signatures after affixing four annas stamps.

Q.—You borrow on your personal security?

A.—Yes; our own security. We borrow from our own community.

Mr. Thomas: Is your business a branch or the principal business?

A.—It is principal business and we have no branches.

Q.—How do you get your capital?

A.—I get it from my own place Marwar.

Q.—How do you raise it there? Do you borrow?

A.—At times I borrow from my own relations. Sometimes from the principal businessmen who are at Madras.

Q.—At what interest?

A.—6 per cent.

Q.—What is the interest in Madras?

A.—7½ per cent.

Q.—Have you got any dealings with the Imperial Bank?

A.—No.

- Q.—Any hundi business.
A.—No.
- Q.—You are only a money-lender?
A.—Yes.
- Q.—Do you lend on pro-notes? All your business is on katha and not by pro-notes?
A.—There will be very few. All the transactions are carried on katha basis.
- Q.—Do you lend money to the agriculturists?
A.—No. Only to merchants and not to agriculturists.
- Q.—Do you lend money to the shopkeepers?
A.—Yes.
- Q.—To any Government office clerks?
A.—No.
- Q.—For professional people such as vakils, doctors and others?
A.—No.
- Q.—Do you take your interest in advance or do you get it only after the term matures?
A.—We do not take the interest in advance.
- Q.—What is the lowest amount you are lending?
A.—Rs. 200 is the minimum.
- Q.—Never below Rs. 200?
A.—No.
- Q.—Will you not give for small shopkeepers say Rs. 75?
A.—No.
- Q.—What is the interest you charge upon loans to shop-keepers upon katha business?
A.—Fourteen annas to one rupee.
- Q.—Suppose the party does not pay you on the due date. What penalty do you charge?
A.—Whenever we ask money they will pay us.
- Q.—Any bad debts?
A.—Yes.
- Q.—Do you go to Court?
A.—Yes.
- Q.—How many cases are pending?
A.—No case pending at all.
- Q.—Do you enable the borrowers to return the money by instalments?
A.—There is the practice.
- Q.—What is the system? Will you explain?
A.—Suppose we give Rs. 5,000 or Rs. 6,000. You can give Rs. 1,000 and you can pay the rest by instalments. There is no limit prescribed.
- Q.—Do you chiefly lend to your own customers who takes piecegoods from you and also to other people?
A.—Only to customers and merchants.
- Q.—How is he co-ordinating his shop business?
A.—They are being carried on separately.
- Q.—Do you give your goods on credit basis?
A.—I will take their signature and give the piecegoods.
- Q.—How many days credit?
A.—One month's credit.
- Q.—What is the interest?
A.—I will charge interest at the rate of 12 or 14 annas if they do not pay within one month.
- Q.—How many Marwaris are there in this town?
A.—13 or 15.
- Q.—How many there are in Tiruppur?
A.—People that are there are Gujaratis and not Marwaris.

Q.—Are Marwaris here doing both shopping business and lending money?

A.—I am the only man who is carrying on these two businesses. Some are dealing in bangles and others in piecegoods. They do not lend money.

Q.—You are the only man who is lending money?

A.—Yes.

Q.—Are your accounts audited?

A.—Before Deepavali, our accounts are audited.

Q.—Qualified auditors?

A.—Yes ; G.D.A.

Q.—What books do you show to the Income-tax officer when he comes to assess your income?

A.—Both the accounts are shown to him.

Q.—Have you got any suggestions to make to the committee or any complaints about any authority?

A.—Nothing.

Q.—Do you require any more facilities?

A.—Nothing.

Q.—Why don't you establish a regular banking firm, take deposits and have a regular institution?

A.—This is our custom.

Mr. Muthiah Chettiyar: What is the net yield on your capital deducting your interest on the borrowed capital and other charges on money-lending business?

A.—Five or seven thousand per annum.

Q.—What rate do you get for your capital after deducting his expenses?

A.—Twelve per cent.

Q.—Will you allow your accounts to be audited by Government?

A.—We have got our own auditors.

Q.—What is the difficulty in getting it audited by Government? Any troubles from the Income-tax office?

A.—No.

Q.—How long have you been here?

A.—Thirty years.

Q.—Will you deposit the surplus in joint-stock banks?

A.—We have no stock of money.

Mr. Thomas: Do you borrow from the Imperial Bank?

A.—No.

Mr. Muthiah Chettiyar: Will you act as agents to the Imperial Bank if you get commission?

A.—No.

(The witness then withdrew.)

Friday, 7th February 1930

COIMBATORE.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Mr. M. A. MUTHIAH CHETTIYAR, B.A.
 Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

L. W. THOMPSON, Esq., Income-tax Officer, Coimbatore.

Oral evidence.*

The Chairman: Mr. Thompson, you are the income-tax officer here?

A.—Yes.

Q.—You have some considerable experience of nidhis since taking over charge?

A.—I have not had much experience.

Q.—Have you examined the accounts?

A.—Yes. As I said in my memorandum they are performing a useful service here. Unfortunately there are certain number of nidhis which are run for the benefit of the people who are the secretaries and his friends. The bad effect of those are telling on those that are being conducted. As a matter of fact when compared with the previous years the year ending 31st March 1928 practically there is not a single nidhi that has shown an increase in profits during 1928-29 whereas prior to that period there has been an increase in the profits. It is on account of the confidence that the public had in nidhis.

Q.—You don't think that there is any concealment of profits?

A.—They are all audited by professional accountants. I don't think that there is any concealment.

Q.—Do you consider their reports as satisfactory? Do you accept them or check them?

A.—In the case of limited companies we accept them as a rule. There are of course certain institutions where even in the case of limited companies even though they are audited by chartered accountants we insist upon scrutinizing the accounts.

Q.—Do you agree that the auditor is dependent upon the management for his livelihood?

A.—It depends upon the auditor.

Q.—From your experience do you think that they would be subject to the influence of the directors?

A.—Not as a class. They have a certain amount of professional jealousy and reputation to keep up. As a class they do their duties fairly and equitably. There are of course certain cases where I cannot accept their reports. Sometimes they are influenced by considerations.

Q.—Do these nidhis materially differ from an ordinary joint-stock commercial bank?

A.—In a way they do. They do not have this cheque system. The shareholders cannot recover but he has to return his share capital. In a nidhi if you want your money back again you can get it back less a certain discount.

* For written evidence, vide page 1161 of vol. III.

Q.—Do all the limited companies lend on their share capital ?

A.—Practically every one of them.

Q.—Are there many nidhis here in which the share capital is not withdrawable?

A.—I do not know of any. I have not examined the rules of any.

Q.—Am I right in saying that in almost all the nidhis the share capital is payable in a lump sum?

A.—Yes.

Q.—Have you come across cases in which the share capital is paid in monthly instalments?

A.—Not to my knowledge. We do not go very much into the constitution of a nidhi.

Q.—You do not remember monthly payment of Re. 1 towards the subscribed share capital?

A.—The prospectus is registered by the Registration department.

Q.—What is the object of the registration?

A.—When a company is formed the department is certain of the rules and regulations to be formed for safeguarding the shareholders.

Mr. Thomas: In your memorandum you very rightly urge the need for making a careful enquiry into the working of the nidhis in this district?

A.—In the interest of the public I think so.

Q.—You speak of this indigenous banking as an industry. You will agree that in the normal course of things banking is not an industry. Perhaps you mean that in this district the nidhis have become almost like an industry?

A.—It is quite a profitable venture for anybody who starts one of these nidhis. Many of them have started these nidhis for their own benefit. They become the secretaries and the secretaries, as a rule, get their remuneration out of the profits after the dividends are declared. It is at the general meeting of the shareholders and the directors that the remuneration for the secretary is fixed in the shape of a bonus.

Q.—Is the bonus often more than the salary?

A.—Very few of them draw a regular salary. It is only in one or two cases that a nidhi secretary is given a monthly salary. But most of them receive a large sum at the end of the year when the accounts are audited and the report is adopted.

Q.—How are the profits apportioned?

A.—First of all a certain percentage of the profits about 10 or 12½ per cent is set apart for dividends and then out of the balance they give a little sum to the secretary in the way of bonus.

Q.—Do they keep a reserve fund?

A.—A great many of them do.

Q.—Is there any provision for it in their rules?

A.—I do not know whether the provision exists in the rules. But they do have a reserve fund.

Q.—I understand that in a certain village nidhi the secretary got about Rs. 1,500 for a year. Surely unless a good portion of the profits are going into his hands how could such a large amount be paid to him as bonus?

A.—If his bonus is Rs. 1,500 the profits must have been considerable more, because first as I said the dividends are declared and then only if there is anything left over the bonus is paid to the secretary. In fact there are several instances where the secretaries are given no bonus at all.

Q.—It is said that the persons who benefit most by the nidhis are the friends and the relations of the secretary. How can this be?

A.—The secretary is the chief man. He is practically the controlling agent. More than that the directors have very little to say in the matter. Many of them are illiterate and ignorant and the secretary is as a rule appointed by a clique of the directors and it is only such nidhis that go into liquidation as a rule. What happens is this. The secretary has granted loans to people absolutely with no lands and nothing to recover from. Such loans have been advanced by the secretary. The man who wants the loan has to get somebody else to stand as security. In fact as recently as the last week there was a case in which I found an interest payment made to

a certain individual. I traced this individual and found out that it was the Secretary of a bank. When I asked him to file his return and explain the amount of the interest item he said that the money was not his and so he had to prove that. He said that what happened was that there was somebody who came to him for a loan. This man could not obtain a loan from the bank direct and according to the rule he had to get somebody else to back his signature. Rather than go through all that trouble he mortgaged a certain land which he had to the Secretary and the Secretary then obtained a loan from the bank on the mortgage of the land that had been originally mortgaged to him and handed over the loan to the original person. So in that way this man without any substance at all got the loan. Originally the land was supposed to be worth Rs. 1,500 but probably it was not. Any way he is supposed to have obtained Rs. 1,500 from the Secretary on loan and that the Secretary pledged that land again to the bank, obtained the money from the bank and paid it to the man.

Q.—Is it not due to the fact that the directors are not exercising any effective control in the granting of loans?

A.—In some of the nidhis the control is most effective. They give dividends at 14 and 15 per cent and their shares stand at a premium. But there are so many of them in out-of-the-way villages which are not effectively managed.

Q.—You said that the shareholders are mostly agriculturists, coolies and employees of the mills. Can you say that the nidhis are financing agriculture to a very great extent?

A.—The out-of-the-way nidhis might. The reason why I am able to say that is that in this district it is unique. It is just in this portion of Coimbatore you have got refund applications. If you have a share capital in a limited company that share is taxed at the maximum rate. Then you might have a refund of the whole tax afterwards. In this particular circle there are over 1,500 applicants per annum who actually come to the office and obtain refund. We have to check whether what they say is good before we could grant a refund and so we ask the man who comes with an application for a refund, what his source of income is and he tells us whether he is an agriculturist, or a coolie or other person. That is how I am able to say that.

Q.—A good number of them are agriculturists?

A.—They are mostly agriculturists. When we ask them what their profession was they used to say kudithanam, that is to say agriculture.

Q.—Or did they say vyavasayam?

A.—Yes. Sometimes they used to say that also.

Q.—You say that on account of the mismanagement of the nidhis there are few chances of other nidhis arising. Is it your view that we require more nidhis in this district when we have already got more than 120 of them?

A.—These nidhis are concentrated only in certain parts of the district, for instance in the outskirts and the surroundings of the Coimbatore town but in the out-of-the-way places there are no nidhis at all.

Q.—As you say that many of the nidhis are mismanaged and particularly and as you will agree that the co-operative societies are much more useful, what is the need for having any more nidhis?

A.—Well, the nidhis finance not only agriculture, but they finance also the small trader. They do a lot of such business. The capital that the nidhis employ is about Rs. 75,00,000 in share capital and about Rs. 15,00,000 in fixed deposits. That is after all a very small amount of capital for the enormous amount of business that is being done in Coimbatore.

Q.—Perhaps your computation about their capital is rather modest?

A.—It may be a shade higher or lower.

Q.—You state that the Government revenue might suffer by not having many nidhis. Do you now rate a good number of these nidhis to income-tax?

A.—All of them are being taxed.

Q.—Do you think that the income-tax revenue will decrease by the nidhis getting fewer in number?

A.—Yes.

Q.—Is it because the money which is now in the nidhis will be invested on land whose income cannot be assessed to income-tax?

A.—Yes. Also the fact that the nidhi is doing the work of lending money brings more business all around.

Q.—Have you any suggestions to make as to the kind of control needed to making the nidhis work well?

A.—That is a point which did occur to me, but really I did not have the time to think out the problem. I do not know what the functions of the Registration Department. I thought from seeing the call for the balance sheets and certain other information from limited companies every year, and that companies are proscribed, that if they do not file these figures and balance sheets, it should be possible for the Registration Department to exercise a more effective control. I am for having the accounts looked into and counterchecked.

Q.—Is the auditing carried on effectively?

A.—It is not the actual auditing that is at fault. It is on the way in which these loans are being granted. So far as the auditor is concerned he has only to satisfy himself that a certain sum had been loaned to somebody. His time does not permit him to go into the financial status of that particular person who has borrowed the money.

Q.—In certain actual cases of defalcation the auditor had given the audit certificate, but had not found out the defalcation?

A.—The actual defalcation cases that occur are very few and far between. I think there is now one case of defalcation going on. How they do it is like this: Suppose I am the dishonest secretary of a nidhi and I want to make some money. I go to a man who has no money, and no lands and no other assets at all and tell him I will be able to lend him money. I ask him to apply for a loan of Rs. 500, get it sanctioned and the secretary and the directors share Rs. 4,500 between themselves and Rs. 500 is given to the man. Just to satisfy the shareholders one or two letters are written to him asking him to pay interest and he may just pay the interest for one or two years and then drop off. Finally the debt is written off as irrecoverable.

Q.—Have you heard of any cases of bogus persons getting loans?

A.—I have not come across any, but I have heard. There have been cases where bogus cases have been put forward and loans granted and passed. They do not know who the person is who has obtained the loan. We do not allow bad debts unless it is proved.

Q.—You are certain that a careful scrutiny of the working of the nidhis and a more effective control of them are necessary?

A.—Yes, primarily in the interests of the poor shareholders.

Mr. Muthia Chettiyar: What is your criterion in taking into account bad debts written off when assessing for income-tax?

A.—May I know what you mean by 'criterion'.

Q.—Whether it is reliable or not?

A.—If it is genuine bad debt that is written off we allow it. The assessee has to prove that it is genuine.

Q.—Do you want him to prove that it has become a bad debt?

A.—He has got to satisfy us that he has made an endeavour to recover the amount and failed, or convince us that the man has become a pauper and that it is not worth spending so much money in trying to recover the loan.

Q.—I give you an example: Suppose I had to get Rs. 5,000 from a man and I write it off. I have not filed a suit to recover the amount but simply sent a registered letter. Would you insist that I should file and suit and then only if I am not able to recover the amount I should write it off?

A.—I would not insist upon that. Only if I have some suspicions as regards your *bona fides* then I will ask you to prove, otherwise I allow the thing to be written off as bad debt.

Q.—Another thing: Suppose I have to recover Rs. 5,000 and I file a suit and get a decree. I have a ray of hope that I may be able to recover about Rs. 500 only. But still I write off the whole amount. But I also promise that if any amount is received from him later on that amount will be duly credited in my books. Will you accept it?

A.—Certainly, we allow. I myself have allowed scores of such cases.

Mr. Gopala Menon: You said that the Registration Department is not exercising due control over the balance sheets submitted by the nidhis and joint-stock companies?

A.—I do not like to make a statement so sweeping as that, but I infer from the evidence that has come to my knowledge that the Registration Department could have exercised better control than they have been doing, not so much control over the routine work as control over the actual working of the bank to see that the shareholders and the general public are getting proper return for their money.

Q.—They are expected to scrutinize the balance sheet as to whether it has been prepared according to the Articles and the Memorandum of Association. That is what the officers of the department are expected to do. We have heard this complaint elsewhere also. Do you think that the officers to do this work in a place like Coimbatore, i.e., the District Registrar or Sub-Registrar have got the qualifications necessary for this scrutiny?

A.—I do not think accountancy is one of their qualifications.

Q.—Most of them merely do Registrar's work. They are mostly recruited from graduates in arts or graduates in law and by their qualifications are not fitted to examine the balance sheet in the proper manner?

A.—I suppose that is the inference.

Q.—In other places we were told that this function should be separated from the Registration Department and entrusted to others who can exercise better control and examination of joint-stock companies and nidhis. I suppose you agree with that view?

A.—Yes and no, because the Registration Department do exercise a certain amount of control by the power they have to call for certain periodical statements and by the prosecutions that they launch if those are not filed within the proper time. I should say also yes if the people who are going to examine the accounts are given the same power as the officers of the Registration Department. Both these should be under one and the same department.

Q.—In that case for the Registration Department only people who are properly trained to carry out these duties very satisfactorily should be entertained and the work should be entrusted to them. They must possess knowledge of accountancy, and business customs, etc.

A.—Yes, that can be done.

Q.—Otherwise due control over the balance sheets cannot be properly be exercised by the ordinary Sub-Registrars and Registrars.

A.—Certainly.

Q.—So either it should be taken away from the Registration Department or the Registration Department should take in officers who can do that sort of work?

A.—Yes, that is what I think must be done.

Q.—Otherwise there will be criticism from the public?

A.—I should think so.

(The witness then withdrew.)

Saturday, 8th February 1930.

COIMBATORE.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.
 Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

Mr. WELD DOWNING, Planter, Coonoor.

Oral evidence.

The Chairman: Mr. Weld Downing, you are a planter in the Nilgiris? Have you got your own estate?

A.—Yes.

Q.—Is it within easy reach from the Coonoor town?

A.—It is 10 miles from Coonoor and 17 miles from Ootacamund.

Q.—Have you got sufficient cash facilities from the Imperial Bank? I presume you get loans from the Imperial Bank?

A.—We get loans either from the Imperial Bank or from the Indian Bank. The Indian Bank finances mostly the Coonoor taluk, while the local branch of the Imperial Bank finances the Ootacamund side. Thus these two banks, with the addition of various private money-lenders finance the planters.

Q.—You therefore get adequate banking facilities?

A.—Yes.

Q.—Do you find any difficulty in obtaining cash from any other banks?

A.—None at all.

Q.—Have you any experience of other estates?

A.—What is generally done is that the estates in the interior of the district send one of their Superintendents in a car who arranges to get money for their weekly requirements from these banks in the district headquarter. Some others get their money by insured post. My own opinion is that this is a crude method of getting money.

Q.—What do you regard as the maximum distance from which you can go to the bank for purposes of bringing money?

A.—An average of 20 miles radius from an estate may be regarded as the maximum distance for transacting business with the bank. That comes to about 40 miles journey to and fro.

Q.—Are there a number of estates beyond the 20 miles limit?

A.—Yes.

Q.—Do you know what arrangements are made by the planters in Mysore for getting money?

A.—I am not conversant with Mysore.

Q.—The Bank of Mysore has opened a branch in the North Mysore area at Chigmalore. Do you think that branch banks would greatly facilitate transactions.

A.—Speaking out of my own experience in my district, the conveniences that would accrue in opening branches of the Imperial Bank would be very much both to the Bank as well as to the various planting communities. It

would not involve anything more than a small staff, but it would be certainly most advantageous to the estates. Taking Mysore which is a coffee centre, the planters can ill-spare their European Superintendents or Managers to go on chasing about country during the busy season for the purpose of collecting cash. At that time the crop would be ripe for harvest and it is imperative that the supervision should be at the highest pitch of efficiency. If similar branches are opened here, it would certainly be advantageous to us also.

Q.—Is there any marked difference between coffee and tea cultivation?

A.—Yes.

Q.—Employment of labour on the tea estates is more steady than on the coffee estates?

A.—Yes. Coffee requires labour only at certain months of the year and during a particular season.

Q.—Can you give us an idea of the amount of cash that would be required for paying the coolies employed in your estate?

A.—We may take that an average of one coolie would be required per acre and his pay ranges between Rs. 15 to Rs. 20 per month.

Q.—How are these coolies paid? Are they paid in cash or in kind?

A.—We pay them in cash. In many other estates a grain issue is also made, but we do not give any grain issue, but pay them cash for it. They buy their own grains out of the cash from the local bazaars and shandies. As regards the coffee plantation the coolies are paid a lump sum at the end of a season at the final settlement.

Q.—You do not, of course, pay your coolies by bearer cheques?

A.—No.

Q.—About the grain advance, you pay in cash. Where do they get their grain?

A.—They purchase it outside the estate from bazaars.

Q.—The cash then goes to the merchant, does it not?

A.—Yes.

Q.—Do you consider the present arrangements are the best possible for the supply of cash to the coolies?

A.—As far as my district is concerned, the present arrangements are quite good.

Q.—You say that you are better off than many other estates?

A.—We are only a minority.

Q.—Do you work on your own capital, or do you also borrow?

A.—Generally we draw bills for three months on our banks or agent on our bill of lading. But the time this falls due, the tea will be sold and then we repay the amount.

Q.—You have agents in London?

A.—We have got agents here and these agents work with their agents in London.

Q.—Are there any marwaris in the Nilgiris?

A.—Yes. There are some marwari merchants also, but they are not now-a-days flourishing.

Q.—What do you regard as the fair price of tea?

A.—It all depends on the price prevailing in the tea market at the time. At present Re. 0-10-9 may be regarded as a fair price per pound.

Q.—Do any of the other planters make advances to small growers of tea from whom they purchase the leaf?

A.—Yes.

Q.—Do you do that business?

A.—We do not think that it is sound from the producers' point of view, because he gets a certain sum of money and signs an agreement to sell his leaf to the parties within a period of one year and at a fixed price. After the tea is produced, he does not get the value prevailing at that time in the English markets. This is detrimental to his own interest. He could easily sell his produce in the market at a fair price, but owing to this stipulation, he does not get any real benefit. We do not do this kind of damaging business.

Q.—Is not the same practice going on with regard to coffee between big estates and big consuming firms?

A.—There is not likely to be much loss in the coffee business. There is no such contract also with regard to coffee, and if there is any, it is only to a very small extent. The financing of coffee is really a different matter from the financing of tea.

Mr. Gopala Menon: Do the planters depend on borrowed money for their cultivation expenses?

A.—No, they do not.

Q.—Do you mean to say that the wealthy planters do not borrow? Then how do those planters who have not got enough resources, get funds for cultivation expenses?

A.—They do not borrow for the routine work.

Q.—I have got a statement from a planter here who says in his written evidence "that a wealthy planter works on his own resources and that his less fortunate brother have either to mortgage their estates or hypothecate his crops to a bank or firm who advances the necessary money for the working expenses." To whom does this statement refer?

A.—That statement only applies to coffee planters, but not to tea.

Q.—Is the produce left to wait for a good return in the local market or the foreign market?

A.—As regards the foreign market I should say no, as it comes it is put on the market and sold.

Q.—Both coffee and tea?

A.—Coffee is perhaps kept a little more than tea, which is generally sold straightaway, because it deteriorates more quickly than coffee.

Q.—What about the local market?

A.—If there is a demand in the local market then the tea is immediately sold. If there is no demand then it is shipped to London or some other foreign market.

Q.—Suppose in the intermediate stage before the coffee finds a market it has to wait, is it the practice to raise money on it for the ensuing season?

A.—Most certainly, when the time is coming to elapse it must be so.

Q.—Do the banks advance money in anticipation of a better return on such goods?

A.—I cannot say it is on the anticipation of a better return. They will advance against hypothecation of the crops.

Q.—Is it generally raised through banks or private firms who may be taking over the coffee and exporting it?

A.—I should think it is generally the private firm who is the intermediary between the banker and the planter. The thing goes through a firm.

Q.—In such a case will the institution of public warehouses be of any use to planters?

A.—There is not the system of warehouses now because each estate looks after their own produce.

Q.—That is with regard to European planters?

A.—Yes.

Q.—With regard to the Indian planters do you think there is any necessity for public warehouses in which they can keep their stock, raise the finance and wait for a better market?

A.—I do not think so.

Q.—Why?

A.—Because I do not see there is sufficient trade to justify the erection and maintenance of public warehouses.

Q.—You told us a little while ago that the Indian planters are financially in a bad way. Do you think the erection of public warehouses in their interest would relieve them from their financial difficulties?

A.—If the majority of the planters sell their own coffee individually I would say 'yes', but the majority sell it through the local people on the spot.

Q.—It is to eliminate these local money-lenders who charge higher rate of interest, and in the interests of these ignorant planters that the public warehouses should be erected; and thus to relieve them from the clutches of the money-lenders?

A.—In that way if the public warehouses become in a measure a clearing house where sales take place, where these people could store their coffee until the price is good, then most certainly it will be a step in the right direction.

Q.—That you think that is necessary in their interest?

A.—I think it would be more in the interest of the smaller planters.

Q.—Along with that we shall have to create an agency for marketing purposes and also for preparation for the market?

A.—Yes, that is right.

The Chairman: Will it be possible for the factory to manufacture the tea of the small man separately?

A.—At the present moment when the tea is brought from one small estate it is mixed up together with others and then manufactured and then a percentage according to the proportion or quantity of leaf brought is set apart as the manufactured tea of that estate.

Mr. Gopala Menon: Who is doing the work of curing and cleaning the coffee at present?

A.—These coast firms, Messrs. Pierce Leslie & Co., Messrs. Stanes & Co., etc.

Q.—They also export the coffee afterwards?

A.—Yes.

Q.—So the raw coffee is sent to them and they clean it in their pump houses?

A.—Yes.

Q.—Is that the case both with regard to the European and the Indian planters? Have the European planters got their own pump houses?

A.—I should say it is generally done right through.

Q.—What percentage of the cost of the goods is taken for cleaning and curing?

A.—I am afraid I am not conversant with coffee market now, because I left the coffee estate 20 years ago.

Q.—Are there any co-operative societies or stores amongst the estate labourers?

A.—Not in my district.

Q.—Are the estates running institutions to encourage the savings of these labourers in the way of provident funds or gratuity?

A.—Yes.

Q.—Is there any compulsory life insurance?

A.—No, nothing of that sort.

Q.—Any schools for the education of children?

A.—Yes.

Q.—May I know whether the practice of running chits prevalent amongst the labourers in the estate?

A.—Yes, there used to be amongst them but I think it is now going down at any rate in tea estates.

Q.—Have you had any complaints from the labourers that the conductor of the chit has not paid the amount in due time?

A.—No such complaint has come to my notice.

Q.—We are told that in the tea estates there is work for the labourers throughout the year but in coffee estates only for a certain period in the year. Is it possible to encourage some sort of home industry in the coffee plantations in order to retain the labourers in the estates and give them something to supplement their income?

A.—I would rather leave it to be answered by a coffee man since I am not conversant with it now.

Q.—You said in reply to the chairman that the cheque habit is not so popular. Is it amongst the lower classes?

A.—I think the chairman asked me whether we paid in cash or in cheque and I said in reply we never paid in cheques.

Q.—You consider that the cheques are the most popular system of transacting business?

A.—I most certainly think so as regards estate business for all payments to firms, liquidation of debts and all that sort of thing. There is no necessity of keeping large amounts of money in the estate and it is a most excellent check on book-keeping.

Q.—But the only difficulty you have is to send your man every time to the headquarters to get your cheque cashed?

A.—Yes.

Q.—Are there any small bankers or joint-stock banks in the locality?

A.—In my district there are.

Q.—You borrow both from the Indian banks and the European banks?

A.—Yes.

Q.—Have you had any difficulty in raising money from the Indian bankers whenever you wanted it?

A.—None whatsoever.

Q.—Do you think there is scope for the expansion of banking or branch of a joint-stock bank in the estates?

A.—In my district no, but I think in some other districts there is good scope.

Mr. Thomas: May I know in what form you export your tea? Is it in the completely finished form?

A.—It is ready for the consumer.

Q.—It is sold by auction in the London market?

A.—Yes.

Q.—Is there no market within India or Ceylon where you can sell it?

A.—There is a good market in India itself. It can be immensely improved upon. There is also the Colombo weekly market.

Q.—You do not send your tea to Colombo market?

A.—Very little of South Indian tea goes to Colombo market.

Q.—Is it possible to develop a regular market for tea in the new harbour of Cochin?

A.—There are certain prospects of a good market there.

Q.—Seeing that there are many estates in Southern India it might be advantageous to have a local market in Cochin? Possibly it might enable you to get a higher price?

A.—Personally I have no objection for that idea.

Q.—What is the proportion that you spend in commission and other charges for sales effected in London?

A.—The brokerage and commission paid in London comes to about 2½ per cent of the value.

Q.—You do not send it direct? Is there no forwarding local agency?

A.—They do not charge a commission but a flat rate which covers their charges and gives them some return. But that margin is very small.

Q.—And the price is not known before you ship the tea?

A.—I do not know whether you know the procedure. The tea is shipped to London and when the cases arrive there a certain number of cases are opened and samples taken from them. Then it is tested the tester says the tea is worth so much. After that it is put in auction.

Q.—Then, the procedure is the same as in Colombo?

A.—Yes.

Q.—We hear some talk of a tea restriction scheme. Is it likely to materialize?

A.—It has not made much headway.

Q.—Is it feasible to have restriction of tea?

A.—I should think it is.

Q.—Do you not think that if the tea planters of India and Ceylon continue, they could control the price, seeing that India and Ceylon together produce the bulk of world's tea?

A.—I should not like to be definite on such a large question.

Q.—What facilities are there in the estates for the labourers to save, i.e., for placing money on deposit with a safe institution?

A.—There are no public facilities.

Q.—How do they^a keep any money that they might have saved?

A.—They just give it to their neighbours or leave it with the estates themselves; but they generally take it away from the estate and send it to their villages to be invested in land or houses.

Q.—They do not invest in postal savings banks?

A.—No.

Q.—The habit is not growing at all?

A.—Not at all.

Q.—Is there any means of encouraging their savings and inducing them to put their money in savings banks?

A.—If you educate them to that habit I think they certainly would do so.

Q.—Are the postal savings banks close by or far away?

A.—I really do not know whether all the post offices have savings banks. Speaking of my district I think it is closeby.

Q.—Seeing that the labourers are living in large numbers around estates, would it not be advantageous to open special savings bank facilities for them?

A.—I think it deserves a trial at any rate.

Mr. Gopala Menon: You want banking facilities?

A.—Yes and also to educate them for placing their savings in banks where they can get not only the money they had deposited back when they want it but also some small sum in addition by way of interest.

Mr. Thomas: If the kanganis are first educated to do so will not the labourers follow their example?

A.—Yes.

Q.—Who are the money-lenders that lend money to the Badagas?

A.—We call them marwaris.

Q.—Do they buy the produce?

A.—They might buy coffee but not tea. They advance money on betel crop.

Q.—Do they take potato?

A.—They do.

Q.—Are the tea factories maintained by the estates primarily for the preparation of their own produce? Or do they also handle the produce of neighbouring small planters?

A.—Mainly for their own produce and secondarily for others.

Q.—Does it work out to the advantage of the small producer?

A.—Yes, it does.

Q.—If green tea is worth an anna and a half, what will be the value of the finished product?

A.—At the present rates ruling in London it will be worth about 10 annas.

Q.—What are the different varieties of tea produced in the Nilgiris?

A.—There are different varieties, it depends on the way it is manufactured.

Q.—I want to find out whether the kind of tea exported from Nilgiris is of a higher quality than is exported from Darjeeling?

A.—It is.

Q.—Do the small producers sell the green leaf to the factory or do they only get it prepared for the market?

A.—I do not know of any case in which they get the finished product.

Q.—In that case the difference between the price they receive and the price realised by the purchasing persons is rather considerable?

A.—We take four pounds of green leaf to make one pound of tea.

Q.—Very well. There still remains 4 annas. Would it be reasonable profit for the factory?

A.—We have to spend for manufacturing, packing and shipping. There is a margin of one anna or one and one-fourth annas. It is more expensive. The estate manager will get a profit of only three-fourths of an anna. I should like to point out that four pounds of green tea is required for one pound of tea.

Q.—What is the cost of production of a pound of tea in the Nilgiris?

A.—The average cost of one pound of tea in my part of the district is from eight annas to ten annas. Fifty-five to sixty cents per pound.

Q.—Have you ever been able to find out whether this cost can be reduced by applying more scientific methods?

A.—In case the tea research is being more increased the cost of production will go down. Their research work will of course improve the quality but not decrease or increase in the process. Estimates are made from year to year and they are carefully watched and scrutinized and any variation is noticeable.

Q.—Do you think that the expenses of the management can be reduced?

A.—No ; they cannot be reduced. Of course we may get men at cheaper rate for supervision. Whether he is an Indian or European if you want good men, you have to pay him well. There is no economy.

Q.—You would probably require lesser number of people assuming that men are abler. You can probably place a larger estate under an abler man?

A.—Of course we can do that. They want better training even though that will certainly reduce the cost.-

Q.—Do you think that it is possible to produce tea on the co-operative basis by those who cultivate 5 or 6 acres?

A.—I do not see anything that looks as if it would make it less. It would need experiments. No definite reply can be given on the matter.

Q.—At what rate do you discount your bills drawn on London?

A.—The rate varies ; from 6 to 8 per cent?

Q.—Could it be reduced?

A.—That depends upon the usance.

Q.—Three months sight?

A.—Yes.

Q.—Are the facilities that you enjoy now in any way better or worse than those enjoyed by the Ceylon planters?

A.—I cannot say.

The Chairman: With regard to these Badagas growing tea on small areas is there any opposition to that by the bigger planters?

A.—None at all.

Q.—Is there not much of stealing?

A.—There is a certain amount of theft going on but not of leaf.

Q.—Have you got a large number of factories which buy the leaf brought by the Badagas?

A.—I think that proper supervision is necessary. There used to be tremendous coffee stealing. That can be done on the darkest night with the gunny bag under the tree. Plucking up of tea leaf can be done only in broad day light. Even in factories there is not much of theft. The people who pluck the tea leaf cannot use it. The coolie and the kangani gets commission very rarely.

(The witness then withdrew.)

Saturday, 8th February 1930.

COIMBATORE.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.
 Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.By. VITHALDAS ANANDJI SAIT Avargal, Tiruppur.

Oral evidence.*

The Chairman: You are a cotton merchant?

A.—Yes.

Q.—What is the chief business you are engaged in?

A.—My chief business is only cotton but for the last two years I have stopped.

Q.—You are not doing any business now?

A.—Doing but not largely.

Q.—You are dealing in cotton. In what way? As a merchant or commission agent?

A.—I am a merchant buying outright.

Q.—You invariably buy through your commission agents?

A.—We buy directly Kappas and sell it to the agents and export it to Bombay.

Q.—From whom do you buy?

A.—We are buying from middlemen and cultivators.

Q.—Who principally?

A.—We will buy from those who bring cotton to the market.

Q.—You buy largely from the ryots or from the middlemen?

A.—Through the middlemen.

Q.—You give advance?

A.—No.

Q.—On what terms do you buy? On a week's credit or cash?

A.—Cash.

Q.—You buy it for cash and then sell?

A.—I buy Kappas for cash from the middleman and after ginning we sell the pure cotton. Then we calculate the price to see whether it is a benefit to sell locally or to export it to Bombay.

Q.—On what terms do you sell? Is it on cash or credit?

A.—All cash.

Q.—In Bombay?

A.—All cash.

Q.—If you are selling at Bombay you ship it?

A.—We send it to Calicut and from there we ship it.

* For written evidence, vide pp. 514 of vol. II,

Q.—Your agent in Bombay sells it?

A.—Yes. He sells it for cash. We take the money in advance. We also take the documents through the agents of cargoes Messrs. Pierce, Leslie & Co., and Madura Company. We get it to the bank and draw money from there up to 80 per cent.

Q.—No advance are given to the ryots?

A.—No.

Q.—The middleman buys outright and sells it to you?

A.—Yes.

Q.—How many middlemen are there between you and the cultivator?

A.—One or two; they are the link and chain who connect the purchaser, the cultivator and the merchant.

Q.—Do you carry on any other business besides that of cotton merchant? Any bank?

A.—No.

Mr. Gopala Menon: You complain of the lack of organisation of marketing?

A.—Marketing is required.

Q.—You say that at present facilities exist only for marketing export crops?

A.—Yes.

Q.—What are those crops you refer to?

A.—Cotton and groundnut.

Q.—Have you got proper facilities for it?

A.—Yes.

Q.—For others such as rice, cholam, etc.?

A.—The banks do not give money.

Q.—Your point is that there are certain hindrances for cheap marketing of other produce than cotton and groundnut. What is the remedy you suggest?

A.—Co-operative societies and village societies should give money.

Q.—You say that you want bonded warehouses for keeping these stocks and find a sale. But who will be responsible to run these warehouses?

A.—Co-operative societies and the Imperial Bank should run.

Q.—You said that banks must run. Apart from the banks can you suggest anybody who can run these warehouses?

A.—Co-operative societies.

Q.—If the banks of Government were to construct the warehouses and lease it to private people will they furnish the necessary deposit for running the warehouses?

A.—They will undertake such things. We have to pay the kist in February, March and April to the Government. Now being the kist season they are not able to get proper prices for their stuffs.

Q.—Therefore you say that they are not getting their full price?

A.—Yes.

Q.—To enable them to do that you want bonded warehouses to advance money on those goods and store it and sell in the right time?

A.—Yes; now the agents come from the neighbourhood to buy the produce.

Q.—You also complain for want of facilities for marketing. Do you refer to village tracks that it should be improved and that some better arrangements should be made for transportation. In what way?

A.—The cultivators living in the villages have no facilities to bring their produce to the market.

Q.—You say that bad roads are one of the reasons. Slow traffic is another. So the improvement of roads and expeditious transport are the urgent problems in order to facilitate better marketing and get better price for the ryot?

A.—Yes.

Q.—Do you not think that these ryots are losing a portion of their value of the produce by the middleman or the money-lender from whom they take advance during harvest?

A.—Certainly.

Q.—How to avoid that?

A.—In my district there are three kinds of measures ; one is 80 tolas, 72 tolas and 64 tolas. The middleman buys or sells. He buys at the rate of ten measures per rupee (72 tolas) and sells at 64 tolas and thus makes a profit. There is the loss sustained in false weights and measures used.

Q.—Are the ryots not being able to find it out?

A.—No. But I know it.

Q.—What is wanted is the standardization of measures?

A.—Yes.

Q.—With regard to the indigenous bankers you say that they run the risk when they lend money to the ryots and that their lives are constantly in danger? What do you mean by that?

A.—So many cases of sessions.

Q.—Who are the indigenous bankers whom you referred to? Sowcars or Multanis?

A.—Professional money-lenders. Both sides commit mistakes. When the Nattukottai Chetti files a suit against him the summons will not reach the party. They will arrange like that. Then they get a decree. Then he goes for japti and to sell it in auction. The party will become wild.

Q.—Is that pre-arranged with the bailiff and village officers?

A.—Yes.

Q.—Who are the professional money-lenders in your locality?

A.—Nattukottai Chettis and some merchants.

Q.—No Multanis?

A.—There are some sowcars also.

Q.—Other money-lenders?

A.—The ryots themselves lend.

Q.—The high rate of interest charged by the money-lenders, is that not a cause?

A.—That is also one of the causes ; suppose a man borrows Rs. 1,000. Within three years it will become Rs. 5,000. The understanding is that they will have to pay 15 to 18 per cent on the money they have borrowed. But actually on the pro-note they write 36 per cent. When he fails to pay he goes to the court and gets a decree for 36 per cent. Thus the interest, original money and the expenses will come to a big amount.

Q.—On the whole the high rate of interest charged by the money-lenders is the root cause of these things?

A.—Yes.

Q.—What remedy can you suggest to bring down this high rate of interest?

A.—The Government must undertake ; then it is easy to bring down.

Q.—Why not the people in the locality combine together and start a bank and help the ryots and lend money at a lower rate of interest?

A.—It is impossible by anybody except Government. When we want money for trade, the Government collects the kist. Both coincide and clash together.

Q.—You say that the co-operative societies are doing some amount of work?

A.—But not satisfactorily.

Q.—That is now run by the people themselves?

A.—In one village there is a co-operative society. They give for their friends, relations and favourites.

Q.—You want Government help to organize more co-operative societies?

A.—The Government should help the co-operative societies.

Q.—Why don't you develop?

A.—Now everybody understands. The Registrar and the Assistant Registrar are taking pains.

Q.—That must be developed. Instead of going to Government for help Government money must come. People must combine and start co-operative societies.

A.—The provident fund money and the life insurance company must be utilized.

Q.—You want Government help for the co-operative societies. But already the Government is helping them. Why do you not develop the co-operative societies yourself?

A.—Now everybody understands the movement. The Deputy Registrar and the Assistant Registrar are taking much pains and it is coming into the proper way.

Q.—So that must be developed instead of again going to the Government for help. Is that not so?

A.—The money which is the essential thing must come from the Government.

Q.—The people themselves must combine and start a co-operative society and then if you want you can take money either from the Central Bank in Madras or the District Bank. In that case why should you go to Government?

A.—There is a saying in Tamil ஓநிலிருந்தால் ஊத்திலிருக்கும். There is the savings bank money and the provident fund is also there with the Government.

Q.—The whole trouble is that in many places you have no banks. Why not the people of your stamp in the locality join together and start banks to help the poor ryots? Can it not be done if you all join together?

A.—The question is whether they will all combine.

Q.—So, that combination or co-ordination is wanting in the country and therefore all this trouble has arisen?

A.—Yes. The Government have passed rules and regulations to help the people to dig wells and buy cattle. Such loans from Government are also very difficult to get.

Q.—So you say that the agricultural loans from Government are not doing much good to you?

A.—They do not. We have to come into the good looks of the authorities.

Q.—If you get cheap money this trouble can be avoided?

A.—Yes.

Q.—You suggest that the post office might grant life insurance policies for small sums. Do you want the Government to begin speculation business in life insurance also?

A.—No, no. In the post office they have got the Oriental Life Insurance and through the Government the life insurance company gets the money.

Q.—There are a number of life insurance companies?

A.—Yes. I simply gave an example. In regard to the postal savings banks, there are certain rules and regulations which the uneducated who form about 75 per cent do not know and they are given so much trouble by the post office staff and so the people never go there. To encourage the small ryots to save small sums of money I would suggest that the post office grants insurance policies for, say, Rs. 200.

Q.—Do you think that the small ryots will be able to pay the premiums?

A.—I think it is easy for them to pay Rs. 2 a month.

Q.—Instead of that do you not think that the co-operative society will be able more to encourage the savings habit?

A.—It requires proper auditing.

Q.—When you say that there is no proper auditing do you mean that with reference to nidhis and chit funds?

A.—Well, here also it is the same thing. It will be very difficult for me to explain to the Committee the things that are going on in the villages. We in the villages know what they are.

Mr. Thomas: Will you give an example?

A.—The brother-in-law and the uncle distribute among themselves.

Mr. Gopala Menon: Is there much adulteration of produce going on in your district?

A.—The produce has to be divided into two kinds. For instance, cotton is a world crop whereas grain and other foodstuffs are not so.

Q.—Are you pledging crops to the banks to get money?

A.—Only the Imperial Bank advances money on the security of cotton but not on the security of other produce, to the ryots.

Q.—Is there no other bank which does the same thing?

A.—There are banks.

Q.—The important difficulty for the bankers to advance money is the lack of good quality of the commodity and sometimes they cannot estimate the value of the produce pledged. Is that due to the adulteration of the commodities?

A.—There is no adulteration so far as the foodstuffs are concerned and even in regard to the commercial products there is no adulteration in the raw stage.

Q.—When the cotton is ginned, is there too much of watering?

A.—No. It is only when the cotton is to be exported in bales that the adulteration takes place.

Q.—How?

A.—If there is an increase of Rs. 20 per candy then there will be the adulteration.

Q.—So, you think that there is some adulteration going on?

A.—Yes in regard to cotton.

Q.—How can you avoid that?

A.—It is not possible for anybody to avoid that.

Q.—Suppose an organization for examining the goods, say, in important places like Virudhunagar, Dindigul and Tiruppur, is established, do not you think that we can avoid adulteration?

A.—I have got my own experience with regard to that and when I think of it I think of it with sorrow. There was the best quality of cotton grown here and it was selling at a price of Rs. 50 more than in other places. I moved the Government in the matter and when we had prepared the by-laws and everything and when the thing was about to be brought into force the Government withdrew its helping hand.

Q.—So, it is not possible to avoid adulteration?

A.—It is not possible.

Q.—Do not you think that on account of that we are getting a less price for our commodities?

A.—Not only that. The quality also will be ruined if steps are not taken to remedy the evil. What I wanted was to have rules and regulations as in Berar. This is the first market in the Presidency and I moved the Government in the matter and it was after finding that nothing was forthcoming from the Government that I gave the matter up as hopeless.

Q.—Are you doing banking business or money-lending business?

A.—No.

Q.—To what community do you belong?

A.—To the Gujarati community.

Q.—Are there many people of your community doing banking business in Tiruppur?

A.—No.

Q.—Are there only Multanis?

A.—There is no Multani either.

Q.—Then who is doing banking business there?

A.—Only the Nattukottai Chettis.

Mr. Muniswami Nayudu: Mr. Seth, you live in Dharapuram?

A.—Yes.

Q.—For how many years have you been there?

A.—I am a Gujarati, my father came here and I was born at Coimbatore.

Q.—Have you some experience of the villages?

A.—Yes.

Q.—Why is it that you go to the villages?

A.—Now there are gins and everything. But in those days when these did not exist except hand gins we went into the villages and made a contract for the cotton and advanced the money.

Q.—You are going to the villages to advance money to the cultivators?

A.—No. We advance money only to the merchants.

Q.—You were purchasing cotton through the merchants by giving advances to them?

A.—Yes. That was in those days but not now.

Q.—Are you a money-lender?

A.—No.

Q.—You trade in cotton?

A.—Yes.

Q.—Do you trade in groundnut?

A.—Sometimes I have undertaken it.

Q.—Have you trade in other kinds of produce apart from groundnut and cotton?

A.—Sometimes I have done like that.

Q.—Now what is the position of the ordinary cultivator in a dry area? Is he able to get enough for carrying on his work or does he get into debt?

A.—During the last fifteen years my experience is that they are getting worse.

Q.—What was it before 15 years?

A.—At that time the dry cultivators will plough their lands in the season and they were getting something from their bullock carts which after their work was over they were sending for the use of the villagers and others and so they were happier at that time.

Q.—But during the last 15 years they are worse?

A.—Yes.

Q.—Why?

A.—The first thing is that they become helpless and they cannot get money from anybody. Secondly, there is not even a shower of rain during the proper time. Therefore day after day he has to eke out his livelihood by doing coolie work.

Q.—Suppose you take the ordinary cultivator. How much land do you expect him to have so that he may live with his family without debt?

A.—If there is rain at the proper time 5 acres of land would be quite sufficient, for if he has two bulls there will be mutual help among the villagers themselves.

Q.—You said that for the past 15 years he is not having good facilities. But before 15 years was he getting facilities?

A.—He was getting help then.

Q.—Who was helping him?

A.—The ryots were lending money among themselves and the merchants were also helping to some extent.

Q.—Are the merchants living in the village or merchants residing outside the village?

A.—They were both from inside the village and from outside the village.

Q.—During the last 15 years are not these people giving money?

A.—No, because there is a drought of money.

Q.—What were the rates of interest before 15 years generally?

A.—Nine to twelve per cent among the ryots themselves and almost the same rates were charged by the merchants.

Q.—What are the rates of interest now during the last 15 years?

A.—For mortgage of lands 12 to 18 per cent and on pro-notes 36 per cent and even more.

Q.—Who is the lender?

A.—Now the Nattukottai Chetti mostly lends the money.

Q.—Do you know of any village in which a co-operative society is working?

A.—I know of the co-operative societies in the surrounding villages.

Q.—In the villages where the co-operative society is working has the interest gone down?

A.—The working of the co-operative society has not yet lowered the rate of interest. On the other hand, I may say that the interest has arisen. If A has got money from the society and B has no money and cannot get any money from the society, he goes to the sowcar who seeing the helpless condition of B charges higher interest.

Q.—Do you mean to say that the societies do not lend money to the people who want money and who have property to pledge as security?

A.—He who is influential, and is able to make his power felt rightly or wrongly can alone get money from the co-operative society but not the honest people.

Q.—Do you think that if the co-operative societies are worked so as to increase their transactions and give loans possibly to ordinary people, they will go a long way to help the cultivator in getting money at a lower rate of interest?

A.—Yes. If there are different societies like the trade societies and other societies, the thing will develop.

Q.—Are the ryots extravagant in their life or are they very economic in their habit?

A.—The ryots can be divided into three classes. Some of them have turned into coolies and some have become drunkards and it is the third class who remain economic in their habit.

Q.—Are they spending a lot on marriages and on jewels?

A.—They do not spend much in the families where the elders are alive, but where that is not the case the younger generation are spending a lot on such things.

Mr. Thomas: What do they drink? Is it arrack or toddy?

A.—No. They take only the foreign liquors.

Mr. Muniswami Nayudu: Do you think that land mortgage banks which will give loans to be repaid within 20 or 15 years have got scope for working in this district?

A.—I will by all means welcome such a bank.

Q.—Are there any difficulties in the titles to the land?

A.—There are many intelligent lawyers and there is the Government also and these can make sufficient provision to see that the debt to the mortgage bank is made a first charge on the property.

Q.—Do you think that if such land mortgage banks and money is given on loan to the villagers, they will be able to repay punctually every year?

A.—Twenty years would be quite enough, because in regard to the Government loans for 10 or 20 years to sink wells and other things there has been no difficulty in the matter of the loan on the due dates. The same will be the case here also.

Q.—Are people in this district taking large loans from the Government for the sinking of wells and for other permanent improvements?

A.—It is very difficult to get these loans, unless the persons applying for them are very influential. Even then they get the loans after some trouble. But the poor do not at all get the loans. They have to await the favour of other people.

Mr. Thomas: Whose favour is it that is necessary?

A.—Of course the officials; that can be known even without my mentioning it.

Mr. Muniswami Nayudu: Do they not require more Government loans?

A.—For the past five years due to the dearth of rain the number of wells that have been dug is very great and for doing this the people had to go to the Nattukottai Chettis to borrow money for the purpose.

Q.—There are co-operative societies, are there not?

A.—Yes, they are only in a very few villages.

Q.—Supposing the co-operative societies are started in larger numbers, do you think that they will serve the needs of the agriculturists by giving them loans for digging wells and other things?

A.—If they will give such loans then they will certainly contribute towards the improvement of the land.

Q.—So, in the villages also, do you think that the sowcar or the village ryot has not got money to lend?

A.—During the last five years their monies have been blocked on the cultivators' lands.

Q.—So now they have no money to lend?

A.—They have no money.

Q.—The persons who is actually financing them is the Nattukottai Chetti?

A.—Even the Chettis have stopped the lending of their money also has been blocked on lands during the last two years. There are twenty to twenty-five shops belonging to them and all of them have stopped lending. Now is the time when money has become very dear and the need for it is very keen.

Q.—Who is then lending to the agriculturists during the last two years?

A.—The agriculturists pay the kist somehow and there is no possibility of their improving their holdings as there is no one to advance them any money now.

Q.—You told us that cotton is grown largely in this district. Does the actual cultivator get a good price for the cotton that he raises?

A.—If the cultivator is a rich man and if he can afford to wait for a favourable market he can get a good price. But if, on the other hand, the cultivator is poor and has got many demands to be met he has to dispose of his cotton as early as possible and naturally he will not get as good a price.

Q.—Groundnut also is raised in large quantities?

A.—Yes.

Q.—Do the ryots get a good value for the groundnuts?

A.—There is competition and as a result of it, sometimes there is even a loss.

Q.—Do you think that the people in these parts will be willing to take shares in the land mortgage banks if there is a guarantee that they will at least get 6 per cent interest?

A.—If the Government will guarantee the payment of 6 per cent interest free of income-tax, then not only will there be money forthcoming from our Presidency, but it will be flowing in from other countries as well.

Q.—Is land being sold away now for debts?

A.—Yes.

Q.—Is there a large amount of land being sold away like that?

A.—Yes.

Q.—Do these lands fetch a good price in the court sales?

A.—The prices now when compared to the prices prevailing in 1920-21 can be said to be only 60 per cent or even less of what they were. Irrigated wet lands which were selling for Rs. 3,000 are now being sold for Rs. 1,700 and Rs. 1,800.

Mr. Gopala Menon: What was the pre-War price?

A.—Then it was only Rs. 1,000. But during the time of the War the people suddenly grew rich and there was a demand for land. Consequently the price of land went high, but now the price has gone low.

Mr. Muniswami Nayudu: You have therefore no real complaint for the fall in prices?

A.—The men who purchased had suffered very much from the fall in price.

Q.—You told us that the irrigated wet lands when sold in public auction fetch as much as its real value, is it not?

A.—Yes.

Q.—Is it true also with regard to dry lands?

A.—It is not so in the case of dry lands.

Q.—Do you think that a number of people who were deprived of their lands have become labourers?

A.—Yes.

Q.—For how many years has this process been going on?

A.—My experience is for the last four years. Within this period I have come across a number of cases where people who owned lands have been deprived of their lands and turned themselves as labourers. Before that there were not so many cases. The situation is becoming worse day by day.

Q.—Who purchase these lands? Is it the villagers or the money-lenders?

A.—Both the money-lenders and the villagers.

Q.—Do the official classes and merchants go in for lands now? Do they themselves cultivate?

A.—Monied classes and merchants purchase only irrigated wet lands, but not dry lands.

Q.—You said that merchants have purchased the lands, and that they belong mostly to Nattukottai Chetti community. Do they cultivate the lands themselves?

A.—They purchase the lands because they thought they could get buyers and thus make good profit out of them. But there are not so many buyers now and hence they have to cultivate themselves. If there are buyers, they will immediately sell those lands.

Q.—You said that the village communications are lacking and must be improved. Have not the communications been improved in recent years in the villages?

A.—Some of them have been repaired, but much has still to be done.

Mr. Thomas: You have just told us that many ryots have become mere labourers. Are they still occupying their old lands or have they been ejected?

A.—Some of them who have got some stake or other in the village are still in the village, but others who have none, left the village and come to settle in towns.

Q.—What are they doing in the towns?

A.—They work in factories and mills. There are about 25 factories in and around Tiruppur and many of them got employed therein.

Q.—How do these people raise money whenever they have any urgent expenses?

A.—They go to the money-lenders just before their pay day and obtain loans on the promise of repaying it after the receipt of their pay.

Q.—Who are the money-lenders that lend them money?

A.—They are Nattukottai Chettis, Goundars and other wealthy ryots.

Q.—How do you purchase kappas from the cultivators?

A.—First of all the petty merchants go over to the cultivators in the village at the time of the harvest and purchase the kappas at the rate of Re. 1 per podi. They then carry it to the markets in the towns and then sell it. At this rate, every week or in the interval of ten days, they go to the village and purchase the kappas from the cultivators.

Q.—Do they give any advances to the ryots for cultivation purposes?

A.—Yes.

Q.—Are the cultivators bound to sell their produce to these merchants?

A.—Of course, on that condition only they advance.

Q.—Do they take any pro-notes from the cultivators?

A.—Sometimes they do.

Q.—Is it a fact that the cultivators are selling their produce at a reduced price to these merchants?

A.—Yes. Not only do they sell at a reduced rate, but they are also cheated by them at every stage. They are a set of illiterate people and the merchants taking advantage of this, use false measures and weights and for each weight, they make a discount, with the result that they make a good profit out of the transactions.

Q.—How do you sell cotton? Have you any ginning factory of your own?

A.—We give the cotton to the ginning factories and get it ginned.

Q.—Do the mills charge reasonably for ginning?

A.—The charges are not heavy, they are reasonable.

Q.—Do you sell the cotton locally?

A.—Whenever there are buyers, we sell. But mostly we export it to mills in Madras and Bombay.

Q.—Do you make use of the bulletin that is published for keeping yourself up to date about prices?

A.—I am not depending upon the bulletin. I get private information from Bombay.

Q.—Have you any agents in Bombay?

A.—Every year we go to Bombay and enter into some contracts with big merchants and mills.

Q.—Do you take any advances or loans from them?

A.—We do not do so generally, but on rare occasions we get ; we obtain loans on demand promissory notes.

Q.—Do you ever borrow from the Imperial Bank?

A.—For the last two years I have not been borrowing. Before I used to do so.

Q.—Why have you stopped it?

A.—I am not doing the business nowadays. The fluctuation in the money market is often disadvantageous to us, and the security they demand is very excessive.

Q.—Do you ever get any loan from the Indian Bank?

A.—No.

Q.—Do the other merchants like you borrow money from the Imperial Bank or do they go to the Multanis alone?

A.—They do not get money easily from the Imperial Bank. There is much trouble in getting loans from them. Those could not get the money easily go to the Multanis.

Q.—If they have got goods, could not they raise produce loans from the Imperial Bank and obtain money?

A.—Only on that condition they give loans, but that is not always possible and the charges, etc., for the godown are too much.

Q.—You said that you have stopped the cotton trade. Do you cultivate your lands yourself or through ryots?

A.—Through the ryots only. I have got also contracts with the Agricultural Department and I could not therefore carry on the cultivation.

Q.—How do you remunerate your ryots?

A.—I am paying them in grains and money. Besides I have got about half a dozen cultivators and through them also I cultivate.

Q.—Then they are but paid labourers?

A.—Yes. They are paid just like coolies only.

Q.—Does the cotton sale society at Tiruppur work well?

A.—It works well, but I would suggest that instead of helping cotton merchants, they help other cultivators also. They now deal only with cotton merchants. They obtain the cotton from the various merchants and advance loan on it and selling it at a very favourable market, they recoupe their loans and pay the profit to the merchants. Instead of thus benefiting the merchants, if they do their business directly with cultivators it will help the agriculturists very much. The people who really want help are the agriculturists and not the cotton merchants. They do not derive any help from the society but it is the merchant that really reaps the fruit.

Q.—You therefore say that the men who are really helped are not the men who need help?

A.—Yes. The ryots do not get any help.

(The witness then withdrew.)

Saturday, 8th February 1930.

COIMBATORE.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIK SAHIB Bahadur.

M.R.By. A. R. L. V. NATARAJAN CHETTI Avargal, Banker,
Coimbatore.

Oral evidence.

The Chairman: Mr. Natarajan Chetti, what business are you carrying on?

A.—Money-lending.

Q.—In Coimbatore?

A.—Yes.

Q.—What is the nature of your business?

A.—Lending to merchants, traders and agriculturists.

Q.—Mostly on pro-notes?

A.—Yes.

Q.—For what purposes are you lending?

A.—For business and agriculture.

Q.—Is your business carried on mostly in the villages or in the town?

A.—In the town as well as in the villages.

Q.—Are you doing any business in financing trade at all?

A.—I lend to cotton merchants and small shop-keepers.

Q.—Do you deal in hundis?

A.—No.

Q.—Do you deal in nadappu hundis?

A.—That is prevalent amongst the Nattukottai Chettis.

Q.—What is the particular merit of a nadappu hundi?

A.—Among ourselves in Madras on the 16th of every Tamil month the nagarathars meet and fix the rate for that month. That rate is the nadappu rate.

Q.—What is the advantage in having a hundi on which the rate varies every month?

A.—That is the custom among our caste people.

Q.—How can it be discounted?

A.—We do not discount such hundis here.

Q.—Does it circulate among Nattukottai Chettis themselves?

A.—Yes.

Q.—Why cannot you mention in the hundi a fixed rate of interest?

A.—We mention only the nadappu rate.

Q.—You do not use fixed rate hundis?

A.—No.

Q.—Do you use the mudati hundis?

A.—We do not write such hundis.

- Q.—How many different kinds of hundis do you deal in?
 A.—Only the nādappu hundi and the dharisana hundi.
- Q.—At what rate do you lend?
 A.—Twelve to 15 per cent.
- Q.—Do you lend on the kandu system?
 A.—I was doing it before but not now.
- Q.—Do you not pay Rs. 90 and then collect Re. 1 per day for Rs. 100.
 Do you not lend like that?
 A.—Such a thing is not done.
- Mr. Gopala Menon: Do you take deposits from the public?
 A.—No.
- Q.—Have you got current account with any bank?
 A.—No.
- Q.—On what capital are you working? Is it all your own or borrowed also?
 A.—On my own capital and also some borrowed capital from other Nattukottai Chettis.
- Q.—Do you not borrow from the Imperial Bank?
 A.—Yes.
- Q.—What is the rate at which you borrow from the Imperial Bank?
 A.—Two per cent over the head office rate.
- Q.—And you lend that to the public?
 A.—Yes.
- Q.—Do you lend on single signature or joint signature?
 A.—On both.
- Q.—Do you take the money from the parties in instalments or only in a lump sum?
 A.—According to the convenience of the parties.
- Q.—How many Nattukottai Chetti money-lenders are there in the city?
 A.—Nine.
- Q.—And Marwaris?
 A.—Three or four.
- Q.—Is there no difference in the rate of interest charged by the different indigenous bankers?
 A.—There is no difference.
- Q.—When you borrow from the Imperial Bank is it on your own signature or on joint signature that you borrow?
 A.—Formerly it was on joint signature but now I get the money on the security of the shares I hold in the Kalaswar Mill.
- Q.—Are you a director of Kalaswar Mill?
 A.—Yes.
- Q.—Do the other Nattukottai Chettis borrow on single or joint signature?
 A.—On joint signature.
- Q.—Have you experienced any difficulty in getting loans from the Imperial Bank?
 A.—Formerly the overdraft accounts were settled every three years but now they want it to be done every six months.
- Q.—Do you advance money on house property?
 A.—No.
- Q.—Nor to landholders?
 A.—Yes, I advance to them.
- Q.—To small ryots?
 A.—Yes.
- Q.—Are you keeping an account in any of the nidhis?
 A.—No. The Nattukottai Chettis are not directors of nidhis.
- Q.—When you lend money on hundis do you deduct the interest in advance?
 A.—No.

Q.—Then how is the interest charged?

A.—It is taken for the number of days it remains with us.

Q.—If the hundi is for two months what rate of interest do you charge?

A.—We charge the interest for two months at nadappu rate.

Q.—Are there only two kinds of hundis here?

A.—Yes, only two kinds, the nadappu hundi and the dharisana hundi.

Mr. Hameed Sultan Maricair : Do you lend to the small traders?

A.—Yes.

Q.—At what rate?

A.—Twelve per cent.

Q.—For what period?

A.—Three to six months.

Q.—Do they generally settle their old account before they take a fresh loan?

A.—They do.

Mr. Thomas: What sums do you lend to your clients?

A.—From Rs. 100 to Rs. 10,000.

Q.—Do you not lend sums below Rs. 100?

A.—No.

Q.—You state in your pro-notes a certain rate of interest, but do not insist upon payment at that rate if it is paid promptly. Is that not so?

A.—Yes, we collect at a lesser rate which is mutually agreed at the time of lending. We used to write 24 per cent interest on the pro-note and collect only 12 per cent.

Q.—I saw a promissory note yesterday where the rate of interest mentioned was 36 per cent but it was mutually understood that only 18 per cent need be paid. Is such practice common?

A.—Yes. But in Udamalpet side that practice is not common, there they write only that rate of interest which is to be actually paid.

Q.—Suppose a man defaults; do you claim the whole amount?

A.—Yes.

Q.—Have you sued such parties?

A.—But generally I try my best to avoid going to court and come to a compromise with the party.

Q.—What interest does the Court award you?

A.—Sometimes 12 per cent, sometimes 18 per cent and at other times 24 per cent.

Q.—What minimum rate do you realize on your transactions?

A.—Twelve per cent is the minimum.

Q.—In how many cases in the last one year had you to insist upon land being sold for the repayment of loan?

A.—In some 4 per cent of cases.

Q.—When the land was sold who purchased it?

A.—We purchase it for the amount of the loan otherwise if the land goes for a higher price we do not purchase it but take back our loan amount from the sale-proceeds.

Q.—If you purchase the land do you keep it?

A.—We sell it away at the earliest opportunity.

Q.—Do you now keep lands thus acquired?

A.—One or two.

Q.—Do you know Tiruppur?

A.—Yes.

Q.—Are there many Chettis there?

A.—Yes, there are about ten or fifteen.

Q.—Is their method of business the same as yours?

A.—Yes.

Q.—Do you lend on pawn of jewellery?

A.—No.

Q.—Of your dealings what percentage is with agriculturists?

A.—Mostly with agriculturists.

Q.—You do not lend on mortgage?

A.—No.

Q.—You take pro-notes?

A.—Yes.

Q.—Where are those ryots from? Are they from the villages around Coimbatore?

A.—Yes.

Q.—Suppose a ryot has not got much land but is honest and hardworking. Will you lend him money?

A.—Yes.

Q.—To what class of persons do you charge 36 per cent interest?

A.—That rate may be stated on most pro-notes but the actual amount collected will not be more than 18 per cent.

Q.—Do you lend money to mill coolies?

A.—No.

Q.—To clerks in Government offices?

A.—No. I lend most to traders and merchants.

Q.—What dealings have you with the nidhis?

A.—I have no connexion.

Q.—You have taken any shares in them?

A.—Yes.

Q.—Have you borrowed money on those shares?

A.—No.

Q.—Were any nidhis in which you had shares liquidated?

A.—No.

Q.—In how many nidhis have you shares?

A.—Here in two nidhis.

(The witness then withdrew.)

The Committee adjourned to meet again at Calicut on Tuesday the 11th February 1930.

Tuesday, 11th February 1930.

CALICUT.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIK SAHIB Bahadur.

M.R.Ry. Rao Sahib V. K. MENON Avargal, B.A., Calicut.

Oral evidence.*

The Chairman: Mr. Krishna Menon, to what extent are the co-operative societies here financing agriculture?

A.—Up to Rs. 14 lakhs.

Q.—Do you consider the co-operative rural credit to be satisfactory?

A.—It is not adequate and the financing method also is not satisfactory.

Q.—In what way?

A.—Although our societies are called agricultural societies most of them do not employ the funds for agricultural purposes.

Q.—I gather that the agriculturist who gets the loan in the villages here is very often a petty trader. Is that so?

A.—Yes. Petty traders are mixed up with the agricultural societies.

Q.—What is the money generally used for?

A.—A major portion of it is generally used for repaying old debts.

Q.—The short-term loans are taken and used for that purpose?

A.—It is only lately that the short-term loans are being encouraged.

Q.—But are they being used?

A.—A portion of the short-term loans goes to the production purposes.

Q.—At present money is not available for long periods from the co-operative societies and it is necessary to give long-term loans for clearing prior debts?

A.—We started with these long-term loans by mistake and the people have become accustomed to these long-term loans and it is very hard to prevail upon them to take to short-term loans. It is only little by little that we are influencing them to take more short-term loans.

Q.—Do you think that the bulk of these short-term loans are being generally used for short-term purposes?

A.—A major portion of the short-term loans are being used for production purposes.

Q.—Are they being repaid?

A.—With very few exceptions they are being repaid. In some cases extensions are given. We tried to finance ginger in a ginger area but unfortunately our supervision of these societies was not proper and the loans we granted were not sufficient for producing the crop. They have necessarily to borrow loans from outside and at the time of the harvest priority is given to the claims of the outsiders.

Q.—What loans are required for ginger?

A.—They require in addition to their own labour, for manure and for seed, at least Rs. 60 per acre.

Q.—How long is the crop on the ground?

A.—The growing period is only 6 to 7 months, but the marketing or selling takes a little longer.

* For written evidence, vide pages 118—122 vol. II.

Q.—The preparation is not an expensive business?

A.—No. The money does not come to the ryot until the produce is sold.

Q.—How long does it take?

A.—Two or three months.

Q.—The loans for growing ginger would probably be repayable in about ten months?

A.—Yes.

Q.—What is the security?

A.—We lend on the security demanded by the unlimited societies, with two sureties.

Q.—You do not lend on mortgages?

A.—No.

Q.—Is that on account of the kanam tenure?

A.—Crop is the more important security than the land.

Q.—Who are the people that are generally borrowing from the societies? Are they the kanamdars or are they the sub-tenants?

A.—Both the annual leaseholders and the kanamdars borrow. The small landholders also borrow.

Q.—Do you mean the janmis?

A.—Anybody who owns a janmam land is a janmi. It is only the small janmis who borrow but not the big janmis.

Q.—Do repayments of the loans depend on the supervision?

A.—That depends entirely on the pressure that is brought to bear.

Q.—So far the village societies do not show any great amount of responsibility in enforcing the repayments themselves?

A.—The conditions are improving of late. Within the last one or two years, the sense of responsibility is improving.

Q.—Is there any difficulty in the district bank getting the funds it requires?

A.—There is no difficulty.

Q.—Are there considerable deposits locally?

A.—Yes. We have now a surplus of Rs. 1 lakh which is kept in the Madras Central Bank.

Q.—What about the other lines of the co-operative movement? Is it concerning itself much with marketing?

A.—Lately we are directing our efforts towards marketing and we have seriously entered into the business of marketing arecanut.

Q.—Has that been successful?

A.—This is the second year of the experiment. In the first year we lost about Rs. 300 but this year there is a possibility of making a profit of Rs. 2,000 or Rs. 3,000.

Q.—How is it financed?

A.—It is financed by the district bank. The society purchases the raw nuts from the members. The raw nuts are cured by a society and the cured nuts are despatched to various centres in the Ceded Districts, Nellore, Anantapur, Bangalore, Bowringpet and other places. The railway receipts are handed over to us and we pass them on to the commission agents and the goods are practically in our custody except for the weakness in regard to the engagement of the commission agent.

Q.—What does the commission agent do?

A.—The commission agent sells the nuts and remits the money in the bank and our agent is always by the side of these commission agents watching the sales. As soon as the goods are delivered to them we take a receipt from them and that is the only security we have at present. But we see that substantial commission agents are selected with the help of the local central bank whose advice we ask in the matter.

Q.—Why cannot the co-operative societies sell directly instead of through the commission agent?

A.—If the co-operative societies sell direct how can we finance them? We want the possession of the goods because that is the only security which the district bank is prepared to accept.

Q.—You mean that they are being sold on credit?

A.—Yes. Within fifteen days after sale the commission agents make the payment.

Q.—The nuts are being sold at fifteen days' credit while the bank has itself advanced money on those nuts?

A.—Yes. About 70 to 80 per cent is advanced by the bank. The directors consider that some more security should be taken.

Q.—After the nuts are put on rail to whom is the railway receipt handed over?

A.—It is handed over to the bank, booked in the name of the bank and we have got our agents both at the place where the nuts are purchased and at the place where they are sold.

Q.—The documents are sent to your agent?

A.—Yes.

Q.—Are the goods consigned to him?

A.—The goods are consigned to self.

Q.—To whom are they endorsed?

A.—To our agent who hands them over to the most suitable commission agent. Generally three or four commission agents work in one locality to create competition in the sales. Suppose goods are despatched to Nellore and there are ten or twelve commission agents dealing with arecanut. We will select two or three of the best of them.

Q.—You consign your goods to your agent in Nellore and he hands them over to the commission agent with a bill and he gets the documents on acceptance. Is that so?

A.—On receiving the goods the commission agent gives us a receipt.

Q.—His trade is carried on on credit basis?

A.—Yes.

Q.—Your agent in Nellore cannot sell himself?

A.—He cannot sell.

Q.—Where does his financial responsibility come in?

A.—Generally a solvent man is selected as a commission agent.

Q.—What about the timber trade? Where does the timber come from?

A.—From the Western Ghats.

Q.—Is it all Government forest?

A.—Private forests also exist.

Q.—It is sold on the spot?

A.—The man who brings the log to the market obtains the right from the landlord to cut a number of logs at a certain royalty.

Q.—Is that not the case with the Government forest also?

A.—Yes. For so many cubic feet so many rupees will be paid to the landlord and the man who pays the money will get the right to fell timber in the forest belonging to the man.

Q.—Where does the money come from?

A.—The rich ones work on a portion of their own capital and the smaller traders entirely depend on borrowed capital.

Q.—From whom do they borrow?

A.—They borrow from the local shroffs.

Q.—Are they Multanis?

A.—Yes.

Q.—On what terms do they lend?

A.—Generally about 3½ per cent more than the Imperial Bank rate.

Q.—That is a cash credit or short-term loan?

A.—They do not give cash credit. They take only three months' hundis.

Q.—Where does he get his money from? Does he discount?

A.—He discounts in the Imperial Bank.

Q.—What is the security for the hundi?

A.—The local position of the man who draws the hundi is the only security and no other security is needed.

Q.—It is drawn on the prospect of the business?

A.—Yes. If a man is reputed to be a fairly big dealer the Multani allows a higher latitude for borrowing.

Q.—At the time the hundi is drawn there is no actual transaction which takes place?

A.—He draws the hundi and takes the money from the Multani.

Q.—That is the beginning of the business?

A.—Generally the period of three months is not sufficient for realising the money from the sale of timber. What takes place is that he has got accommodation with three or four Multanis and when the period with one Multani expires he borrows from another and pays the first man and thus he prolongs the whole credit.

Q.—What happens after the timber is ultimately brought down to Calicut?

A.—There are timber merchants here who purchase the timber brought down.

Q.—Does he sell the timber for cash?

A.—He sells it mostly for cash and sometimes he takes hundis also from the purchasers.

Q.—What about the merchant who buys the timber?

A.—The timber merchant who has secured an order for thousands of cubic feet of timber purchases the timber converts it into the proper size and sells it and pays the amount.

Q.—Is that done on his own capital?

A.—Only a portion belongs to him and the rest of the money is borrowed capital and he draws a hundi for the amount.

Q.—There is no actual pledge of timber?

A.—That does not exist. Generally if the man is not solvent the seller insists on full payment but if he is a solvent man, the seller takes a portion of the money and takes also a hundi. In some cases for the whole amount a hundi is taken. It all depends on the solvency of the party.

Q.—The hundi is based on the contract of sale?

A.—Yes. Sometimes those who have got money purchase these logs of timber and keep them till they are able to get higher prices after the floating season is over.

Q.—Is that done with their own capital?

A.—That also involves borrowing and those persons who have got a very large credit with the Multanis do this business.

Q.—They cannot borrow through a hundi?

A.—They can.

Q.—They take the hundi to the Imperial Bank?

A.—Yes, it is discounted there.

Q.—At what rate do they discount?

A.—It is $\frac{1}{4}$ per cent or 1 per cent lower than the lending rate of the Imperial Bank.

Q.—Is it the same case with the coconut fibre also?

A.—Generally, the coconut yarn is exported by the export firms like Messrs. Pierce Leslie.

Q.—How does it get to the firm?

A.—The firms enter into a contract with the big dealers to supply a certain tonnage at a fixed rate. After securing that order the big dealers go and purchase from the smaller people who prepare this yarn.

Q.—Who pays the actual producer?

A.—Here also the hundi plays an important part. But sometimes the export firms give some money to the reliable bigger dealers to whom they give the contract and these in their turn distribute the amount to their sub-dealers. But that is generally not sufficient. The full amount is not given by the export merchants. They have got some capital of their own and they take some money from the export firms and they also draw hundis.

Q.—The hundis are used by the Multanis?

A.—Yes. But there are also two or three Brahmans who do the same kind of business.

Q.—They also use the same type of hundis?

A.—Yes. All these hundis are payable three months after.

Q.—Is it three months after date or after sight?

A.—Three months after the drawing of the hundi.

Q.—Do they bear interest?

A.—Yes.

Q.—Is the rate of interest fixed?

A.—It is generally $3\frac{1}{4}$ per cent above the bank rate but in some cases it goes up to 15 per cent even and the interest is deducted in advance. Suppose Rs. 100 is borrowed on a hundi; the interest for three months is deducted in advance and the balance alone is given to the merchant who draws the hundi.

Q.—The Multani takes the hundi to the Imperial Bank?

A.—Yes. It is the Multani who discounts the hundi in the Imperial Bank which does it on the joint security of the Multani and the merchant.

Q.—The Multani gets a $3\frac{1}{4}$ per cent reduction in advance?

A.—Yes.

Mr. Gopala Menon: What is the usance of the hundi?

A.—Three months.

The Chairman: Is the rate $3\frac{1}{4}$ per cent above the bank rate?

A.—Generally it is $3\frac{1}{4}$ per cent but in the case of very reliable Marwaris only head office rates are charged.

Q.—Is that rate of interest stated in the hundi?

A.—I think so. I do not know myself.

Q.—There are no Chettis involved in this business?

A.—There are very few of them here. The A. L. A. R. Bank is a Chetti bank.

Q.—Do the other banks finance this business to any extent?

A.—These hundis are accepted by the Nedungadi Bank.

Q.—But that is done through the Marwari banker. The merchants do not go direct to the banks. Is that not so?

A.—I understand that sometimes the discounting is done by the Nedungadi Bank and the Nedungadi Bank also rediscounts it in the Imperial Bank.

Q.—The banks do not lend directly without the intervention of the hundis?

A.—Not, except in the case of pledge of jewels.

Q.—The banks do not discount the merchant's bill?

A.—The merchant's bill is seldom discounted without a middleman.

Q.—There are a number of local banks?

A.—Yes.

Q.—They will not directly go to the merchants without the intervention of another banking house?

A.—My opinion is that there is always an intermediary between the borrower and the bank.

Q.—You carry on your own business?

A.—Yes. I do not borrow from the Marwari. I have got accommodation in the Imperial Bank. If we go to the Marwaris we are finished. The Marwari is a general term. I think the Multanis and Marwaris are all the same. Here there are seven classes. I do not know exactly the difference.

Q.—Do you think that if you go to the Multani or Marwari to finance the timber or coir trade it makes the business definitely more difficult and precarious?

A.—The margin is always very much less.

Q.—Have you got any experience of the nidhis?

A.—I have no experience.

Q.—Chit funds?

A.—We have got some kuris.

Q.—You had some experience of them?

A.—Yes.

Q.—Do you consider them as a sound way of saving?

A.—It is the only way of saving in the interior of Malabar.

Q.—Can you give us any idea of the numbers?

A.—I do not think there is a single inhabitant in Malabar who has not joined the kuri.

Q.—What is the ordinary time for a kuri?

A.—One year, two years and five years.

Q.—Membership?

A.—That depends upon the duration and upon the ticket. It depends upon the total amount and duration.

Q.—And also the kind of prize?

A.—Yes. The prize chit was the fashion but it is being replaced by auction system.

Q.—Are there many big ones?

A.—Yes; up to twenty thousand.

Q.—Many of them?

A.—I think that there will be three or four in Malabar where the prize amounts to Rs. 20,000; five thousand, a large number and sums below Rs. 200 and Rs. 300 form the highest number.

Q.—The bulk of them?

A.—The total amount can be obtained by casting lots.

Q.—And those are monthly?

A.—Smaller amounts are monthly; the bigger amounts according to the harvest if they are landlords. If they are officials it is generally monthly.

Q.—Are there thousands of them?

A.—A very large number.

Q.—Is there much of swindling?

A.—Latterly it has been placed on a very legal basis. The proprietor who conducts the kuri has got to furnish a security.

Q.—What is his name?

A.—'Kurimooan'.

Q.—He is the promoter?

A.—Yes.

Q.—And he furnished security for the members?

A.—Yes.

Q.—Am I right in saying that because he wants loans he is conducting the kuri?

A.—He wants money at a lower rate of interest.

Q.—They may be persons whose credit is not very high?

A.—We have got very substantial people conducting it.

Q.—Why do they do so?

A.—Supposing a landlord has got a debt of twenty thousand rupees he furnishes a security and conducts a kuri and clears the debt.

Q.—What rate of interest does he pay?

A.—Generally 12 per cent; very big amounts 9 per cent.

Q.—On landed property?

A.—8 to 9 per cent.

Q.—What is he paying if he gets from a kuri?

A.—He gets the whole income. He takes the initial collection.

Q.—A share of the subscription?

A.—Very seldom; no share in big kuris. The interest in the big kuris is the compensation for the promoter of kuris.

Q.—He does not get a share of the balance after the subsequent instalments are put in auction?

A.—Three thousand is collected initially. Three hundred or five hundred is set apart for expenses; three hundred for interest for those who do not get in the first time.

Q.—If it is an auction chit there is a further balance?

A.—That is distributed among those who do not get.

Q.—Do you think that they are increasing in number?

A.—I think there is a set back also in the minds of the people. They think it a troublesome business.

Q.—These things are very largely developed for lack of communication?

A.—I think so. Nowadays people are reluctant to join the kuris on account of the troubles.

Q.—Do you think that it is necessary to encourage the formation of kuris?

A.—Formerly the banks were not in existence. They had no chance of getting cash anyway except by means of this. As the banks develop there is a set back.

Q.—If the co-operative societies and also a number of joint-stock banks develop is there any necessity to give any facilities for forming kuris?

A.—Somehow it has got a stronghold on the people. I do not think that the country will be affected by stopping it.

Q.—What will happen if the Government simply does nothing—neither encourages or discourages?

A.—In certain cases it does some useful work. Suppose there is in a house an elderly woman. She has got more than half a dozen children. She goes to her neighbours and asks them to subscribe five rupees per month and purchases a cow. She has no credit anywhere. She cannot borrow.

Q.—To that extent is it a precarious business?

A.—In this case no document is necessary. All is verbal and all these are correctly observed.

Q.—Does it not follow that there is considerable risk and that she will not pay back the money?

A.—Very seldom; there are cases where money is lost also.

Q.—Do you think that with the development of other forms of banks this would be curtailed?

A.—Big kuris will stop. Small kuris among the working classes will continue.

Q.—Would it be possible to control them effectively in any way?

A.—It is left to their will.

Q.—Suppose that registration and maintenance of accounts are insisted on with the provision that, if they fail to do so, no court would take cognizance of any suit on behalf of it?

A.—There should be the minimum. They must have complete liberty to borrow a certain minimum. That is one way of saving money among the poorer people. Big kuris are also troublesome.

Q.—Another suggestion has been made that they should come under a controlled audit system?

A.—In some of the kuris they have no accounts.

Q.—Abuses are so frequent as to demand some interference by a public authority?

A.—At present all big kuris are started only after the security is passed on to the members by the starter. In olden times it was not so.

Q.—Do you think that control is necessary?

A.—In these cases control would be necessary. Anything above Rs. 200 can be controlled.

Mr. Gopala Menon: You state with regard to these kuris that strict control is necessary. I want to know which are the different kinds of kuris or chits that is prevalent in Malabar?

A.—One is by trying the luck by actually casting the lot, i.e., the Naruku kuri. The other is the auction system known as the Lela kuri. There is a third system also which is called the Salary kuri. In this the man who conducts it takes a remuneration over and above the interest he is able to get on the amount collected.

Q.—Is there any other kind?

A.—There is the prize kuri also. It is the most objectionable kind of kuri. It is a later development and has come into existence during the last ten years only and a large number of such kuris are run in the city of Calicut.

Q.—You mentioned a little while ago of a kind of kuri by which an old lady took a sum of money for a special purpose. What is the name of that kuri?

A.—Of casting lots?

Q.—Is it not what you call Sahaya kuri?

A.—That is a little different. To give an example suppose there is a domestic calamity in my house and my total expenses for that calamity is Rs. 200. I call twenty persons and request them to contribute Rs. 10 each and thus I get the Rs. 200 I want. There is only this one payment and after that it is discontinued. Subsequently this amount will be paid by me at the rate of Rs. 10 per month to the persons who have contributed.

Mr. Muniswami Nayudu: There is no interest?

A.—No interest.

Mr. Gopala Menon: Is there any legal obligation imposed upon the individual to pay?

A.—I think if the matter comes to court he will be compelled to pay.

Q.—When the party contributes, is it done with the idea that he will get back the money?

A.—There are also classification in that. There is one kuri called 'changathi kuri' or friendship kuri ('changathi' means friend) the amount of which is collected from friends and companions. In that no repayment is expected.

Q.—In sahaya kuri also I understand there is no obligation to repay on the part of the person who takes the money. Do you think that the party is expected to repay?

A.—Yes, the party is expected to repay and in some cases even a regular list is made up and given to the parties as to who will be paid and at what time, say, the fifth month, the third month and so on.

The Chairman: In that case the beneficiary repays as he thinks fit?

A.—Yes. In such kuris the amount is always repaid. In not a single instance has there been no repayment.

Q.—It is a debt of honour and not charity?

A.—It is a debt of honour only. And the understanding is that when a similar occasion arises in the other man's family all this must be repaid.

Mr. Gopala Menon: Is there not another kind of kuri called 'payat kuri' or 'kuri kalyanam'?

A.—Yes, it is more or less similar, but in this case there is also a feast celebrated on the occasion and all the persons who come to that contribute money. When a man is in need of capital he says he is going to perform a kuri kalyanam. This is also a debt of honour and repayment will be effected.

Q.—Then is there not the combination of the naruku kuri and the lela kuri? What is that kuri called?

A.—Suppose there are ten persons in a kuri. At the time of the auction nobody wants to bid. Then naturally there is only one option and that is to cast lots. So if in an auction kuri nobody bids for a lower amount at the time of the auction, then as the only other alternative lots are cast and this is the combination of the lela kuri and the naruku kuri.

Q.—So in all we have got the naruku kuri, the lela kuri, the prize kuri, the changathi or friendship kuri, the payat kuri or the kuri kalyanam and the sahaya kuri?

A.—Yes. Modifications also there are according to the ingenuity of the persons.

Q.—Will you explain to us the system adopted in Calicut with regard to the prize kuris, say, where there are 300 tickets of Rs. 5 to be paid each month? Do they draw all the 300 tickets? I understand that they draw only the first 60 tickets for 60 months?

A.—Yes.

Q.—And each man who gets the lot is given Rs. 300 and he has not to pay anything more?

A.—Yes.

Q.—What happens on the 61st month? There are 240 people left?

A.—All of them are paid the actual amount they have paid plus a small sum, say, 8 annas just by way of interest. The interest in this kind of kuri comes to a very large sum.

Q.—I was told that a person who conducted the kuri repudiated payment of the prize kuri in some instances after the 60th month. Is that true?

A.—This prize kuri is the most outrageous and lots of people are being swindled.

Q.—In a kuri like that what is the obligation on the part of the starter to pay the money back?

A.—The man collects a very large amount and if he declares insolvency then the whole money is lost.

Q.—Do you think that prize kuris should be stopped?

A.—This sort of kuri is the most objectionable and must be put down. This is merely swindling people.

Mr. Muniswami Nayudu: Do the courts recognize such kuris?

A.—I do not know much about that. I think some five or six years ago the High Court said that it was illegal and some twisting took place in order to make it legal.

Mr. Gopala Menon: What I wanted to know is, does it partake of the nature of a raffle?

A.—I think so. But it differs from that in so much as the interest is not accounted for.

Q.—Your objection in the case of prize kuris is only in the case of individuals; but there are some public and charitable institutions running raffles. Do you object to that?

A.—Raffles I do not object to.

Q.—But this prize kuri partakes the nature of a raffle and therefore you object?

A.—In the raffle the principal is not paid back. In the case of the raffle all the persons do not get what they have paid but only a lucky few. In the case of a prize kuri we can expect the principal to be repaid.

Q.—Do you think that the starter of such a kuri should be asked to furnish a deposit?

A.—This kind of kuri I think should be abolished. In the case of certain charitable institutions raffle may serve a purpose.

Q.—So prize kuris must be abolished in your opinion?

A.—Yes.

Q.—Do you think that the naruku kuri and the lela kuri can be condemned as a whole?

A.—No.

Q.—Do you think it is a prudent and beneficial arrangement?

A.—Yes. It is an old institution and is serving a useful purpose.

Q.—Because you think each party secures a benefit by it?

A.—Yes.

Q.—And each in his turn gets the money?

A.—Yes.

Q.—And therefore that need not be interfered with?

A.—Yes, except in the case of kuris for very big amounts where there should be somebody to see that it is properly conducted.

Q.—Do you think that the whole thing should be brought under legislative control?

A.—Some control is required.

Q.—Do you think that a maximum time should be fixed for the duration of a particular kuri?

A.—It had better be left to the genius of the people and their circumstances.

Q.—You do not condemn the kuris as a whole?

A.—No, but there should be somebody to see that it is conducted properly and that nobody loses

Q.—Now, coming to your written evidence you say that the Government loans are very few and the ryots are unable to procure them. There are the Agricultural Loans Act and the Land Improvement Loans Act. Are not the ryots getting any benefit under them?

A.—It is not doing any material benefit to the people. There are a lot of impediments in the way of getting money.

Q.—Are they not popular?

A.—Nobody gets it in time.

Q.—As a remedy you want land mortgage banks to be started in every convenient place. What do you mean by convenient place, is it in every taluk?

A.—Yes, in every taluk.

Q.—In your written evidence you say that the ryots are heavily involved in debt and there is nothing left with them. How are you going to relieve the ryots from their indebtedness even if you have a land mortgage bank in every taluk?

A.—The indebtedness is due to the fact that the ryot is not getting what is due to him; there is somebody to take away the portion that belongs to him and so long as this continues, indebtedness will go on increasing.

Q.—Do you mean that the sowcar's loans should be paid off at once by the land mortgage bank?

A.—It is not possible to clear the debt in that way. As the prosperity of a country increases its debt also will increase. It is this way: suppose there is a tarwad property which is involved in a debt of about Rs. 2,000 or Rs. 3,000. If one or two members are minors and by the time they become majors if the debt is not cleared the property may be lost. In such cases to liquidate the debt the land mortgage bank can advance money.

Q.—So, you advocate the repayment of old debts in only deserving cases?

A.—Yes.

Q.—What is the security the land mortgage bank will have for the loan? You say that the loan on the land is already more than what we can advance upon it?

A.—All the debts in a village cannot be wiped out by a land mortgage bank. Only in a few deserving cases.

Q.—What is the proportion of debt that a land mortgage bank can liquidate?

A.—About half, not the whole any way. The indebtedness must increase in a country. Suppose you cultivate the land intensively, that will mean additional expenditure. High rates of interest are now charged for borrowings. If lower rates are charged and easy payments arranged, it will enable them to repay in deserving cases.

Q.—At present what is the financial agency in the rural parts to finance the agriculturists?

A.—Generally well-to-do people lend money.

Q.—At what rates?

A.—12 to 18 per cent for small transactions and 8 to 10 per cent for fairly big amounts. The latter is the usual rate.

Q.—Can the small man afford to pay such high rate of interest?

A.—It is too much for him.

Q.—What is the remedy? At present the ryot borrows through intermediaries who borrow from banks. What is the method by which we can avoid that?

A.—At present there is no system by which the agriculturists can be directly financed except through the co-operative movement.

Q.—Is it your idea that co-operative societies must be started in every village?

A.—Certainly.

Q.—Can the co-operative societies alone replace the money-lenders?

A.—It will be possible if you work them very successfully. But what length of time it will take I cannot say. It is possible.

Q.—The ryot pays a high rate of interest because of the scarcity of capital. Do you think that if we divert the money into this channel the rate of interest will go down?

A.—The rate of interest depends on two factors, insufficiency of capital and insufficiency of currency.

Q.—Can we keep down the rate of interest by the simple economic law of demand and supply?

A.—We can keep down the rate of interest by mobilising the agricultural classes and helping them to help themselves.

Q.—Have you any idea as to how much money is raised, say, in a particular village, how much is taken away from the cultivator and what is the margin he utilises for himself?

A.—The actual cultivator never gets a good margin after paying rent and meeting cultivation expenses. That is the cause of the ryots' indebtedness.

Q.—The ryot is the backbone of the country. He contributes so much to the exchequer by way of land revenue. Do you think that he gets in return any adequate benefit?

A.—He gets only a small return. According to the present methods of administration the town gets everything and the country nothing.

Q.—Why?

A.—Because District Board members, Legislative Council members and others belong to the towns and they look more after the towns than the villages.

Q.—Why not the ryot make representation?

A.—No, because of want of education, want of knowledge about his own rights and want of organization.

Q.—We want to find out a method by which we can lift the ryots up?

A.—My suggestion is this: excepting the co-operative societies there is no agricultural financing system at all. That must be created. The co-operative societies would have been sufficient if they had all been efficient, but unfortunately that is only a small fraction of the population.

Q.—Do you think that the villages have got proper facilities for cultivation?

A.—There is necessity for improving the means of cultivation and also irrigation works. He must also have sufficient facilities for commanding credit.

Q.—Do you mean to say that he pays the revenue and does not get in return sufficient in the way of rural sanitation, water-supply, irrigation facilities and education? What is it due to?

A.—It is due to want of education and co-ordination between the different departments. Suppose a ryot wants to dig a well, then he has to approach the Collector, and for the finance he has to approach the revenue officials under the Land Improvement Loans Act. Then he has to apply to the Agricultural Department and for the necessary pumping installation to hale out the water he has to approach the Industrial Engineer.

Q.—Is there then no co-ordination between the Collector and these district officials who are looking after the different departments?

A.—No.

Q.—Do you think it is necessary to bring about co-ordination by monthly meetings between these officers?

A.—Yes. He should understand the work of the different departments. It would be very good if a regular programme of work is chalked out for the district and the different departmental officers help the Collector to carry out according to that. Now the Assistant Director of Agriculture looks only to his superior for instructions and guidance and so on. That should not be. There should be a district association with popular representatives on it and they should make proper representations.

Q.—Do you think that the ryots will then be able to assert themselves?

A.—Yes, they will be able to make themselves understood. Now they do not know where to make the representation.

Q.—With regard to marketing you give an instance where a man borrows Rs. 25 and eventually has to pay Rs. 80 if he did not meet the liability on the due date. Does the man know or the man who sells it through the co-operative societies know when the goods are sold the market price of the article?

A.—At the time of sale the market price is not settled and nobody knows it.

Q.—Is the party who advances money tying him down to a certain rate?

A.—He will purchase it for some amount less than the market rate.

Q.—Is there no way by which the ryots or the whole commercial people can be told the market rates of the different articles? Can we devise a way by which it can be done?

A.—These marketing regulations will be very good.

Q.—Is there no such agency in existence in Malabar?

A.—Nowhere marketing facilities exist in the Presidency.

Q.—Do you think there should be a method by which the price of the articles should be published in the vernacular and in English?

A.—Yes.

Q.—How will this information reach the ryots in the villages?

A.—By entrusting the work to non-officials.

Q.—What I want to know is in what way can this information be distributed to the villager?

A.—For instance Tiruppur is not a town but only a village and yet the ryot knows and everybody knows the price of cotton. There should be a Marketing Board and they should publish the price in the marketing centre. They should collect the information in the interior.

Q.—But in the village they know very little?

A.—In Bombay Presidency and in the Central Provinces these Marketing Boards are working very well.

Q.—So you want then a bureau of information?

A.—Yes, and they should enable the ryot to market his produce without any fraud being played upon him.

Q.—You know there are co-operative institutes started in different parts of the Presidency?

A.—Yes.

Q.—You know there they are training men in marketing, book-keeping, and impart instruction in other commercial subjects?

A.—Yes, we are trying to do it.

Q.—Do you think through that agency we can collect this information and pass it on to the central bureau of information?

A.—The information should be collected through Government. The co-operative department without the help of the officials will have no funds for collecting the information.

Q.—We want to co-ordinate the village agency with the central bureau of information. Is it possible to do it?

A.—All this information will have to come from official sources.

Q.—You say that the central bureau of information has to get the prices ruling in other parts of India also. But what I want to know is how to collect the prices ruling in the rural areas?

A.—In all market centres, a body of non-officials will be constituted into a board of which the growers must be the majority and they will furnish all these information, and in that the co-operative societies must play a prominent part.

Q.—Do you think that the institution must be utilised for this work?

A.—Yes. The ryots now sell their produce even before the crop is formed. That we will have to put a stop to by giving him credit. After thus securing his produce, if we know where the most favourable market is and when the price is likely to rise, we can easily sell his produce and get our loans recouped. For this purpose a bureau of information is quite necessary and if we do that, this will help the agriculturist much.

Q.—You therefore think that an officer for marketing is necessary. Do you want two officers or only one?

A.—One officer will do, and he should be attached to the Co-operative department.

Q.—You know that there is going to be an officer to be attached to the Agricultural Department for the purpose. Do you not think that he can do all the work?

A.—No, I think that officer should be attached to the Co-operative department only.

Q.—We were told that some of the co-operative societies are refusing to finance the marketing of produce on account of the ryots' prior indebtedness. Do you think whether it will be possible to reduce their indebtedness to any degree?

A.—That is difficult. If a ryot has got a debt already and we lend, we have nothing to secure the crop ourselves. The other creditors, as soon as they get decrees from the court, attach the produce and take it away. I think some amendment of the Act is attempted now for securing the crop before giving crop advances.

Q.—Do you think that ample facilities exist for the transmission of money for the people from the interior to the town market?

A.—Very little facilities exist nowadays.

Q.—How can we then improve the transmitting facilities?

A.—My idea is that it must be done at present through the Government institutions or by co-ordinating the activities of the various joint-stock banks and co-operative institutions.

Q.—It is not possible to co-ordinate the activities of these institutions immediately. The co-operative societies do not exist in almost every village. How can we then manage with the present agency to get the maximum of facilities for transmission of funds?

A.—Suppose a co-operative central bank wants to send money to a co-operative society or vice versa. Instead of sending a draft bill, if the society issues a cheque, and if there is some understanding between the co-operative institutions and the joint-stock banks, that the cheques drawn by either of them should be accepted by both with certain conditions for discounting, etc., the difficulties for the transmission of funds can be overcome.

Q.—But in cases the joint-stock banks do not accept and come to any agreement to such a proposal, then how can you solve the problem?

A.—Then the bills should be accepted by the Government treasuries.

Q.—You therefore suggest that treasuries and co-operative societies should take up the work and co-operate in their activities?

A.—Yes. We have now some facilities, but it is not very effective. The facility afforded to co-operative societies by treasuries is not very effective. I will give an instance at present. Suppose there is a provision in the Co-operative Societies Act that the collection of the debt can be done by the revenue authorities. Suppose the Revenue Inspector collects the amount he passes it on to the sub-treasury. The sub-treasury gives the information to the treasury. That involves a good deal of delay before the amount reaches the co-operative society. The only thing that we do at present is to sit together with these treasury officers and have the thing done. In order to remedy these defects, the local treasuries must be made as a branch for transmission facility.

Q.—Suppose you arrange that, can you do a good deal of book adjustments afterwards just like the merchants who are doing now between their head office and branches?

A.—Yes.

Q.—You therefore think that book adjustments will be developed and transmission of money may be facilitated through the existing branches of the joint-stock banks, co-operative banks and the treasuries and with the help of the Imperial Bank?

A.—Yes.

Q.—With regard to the marketing of produce, do you think that the local bodies can render any help, in order to eliminate the middlemen and enable the ryot to get the best price for his produce?

A.—They can do, but they do not generally do. They can help by not taxing the producer in his attempt to place things in a marketing condition. The local bodies now impose a market cess and it is most annoying and iniquitous. I suggest that such taxes should not be imposed and if this is done, they will have actually rendered a great help to the marketing of produce.

Q.—There are many representatives of the ryots on the local boards. Why not you appeal to them to abolish the tax?

A.—They will not do that. They are all officials and they do not know the existence of the producers at all.

Q.—Suppose the prices of the articles are published in different places, will it help the ryots in any way?

A.—It will certainly help them. Many of the producers do not know where to sell and what the prices are at various places. They will be certainly benefited by such information.

Mr. Muniswami Nayudu: Is the system of grain rents or rents in kind prevalent in these parts so far as kanomdars and janams are concerned?

A.—Yes, to a very large extent.

Q.—The kanomdar has to pay the rent in kind, and when the crop is harvested, he passes the share of that crop to his landlord and then what is left he takes for himself. Is it not?

A.—Yes.

Q.—And he uses a portion of his produce for meeting the cultivation expenses for the next year. Is that so?

A.—Yes.

Q.—What are the rates of rent generally charged by landlords on their tenants?

A.—Sometimes they get the rent in cash, but in most cases, they ask for the grain. In the case of grain the tenant pays rent at the rate of 2 per 10, if he uses for two seasons and 1 per 10 if he uses for one season only.

Q.—That is to say 10 per cent and 20 per cent interest?

A.—Yes.

Q.—Suppose there is any default made by him, does he pay any penal rate?

A.—No.

Q.—With regard to borrowings what is the rate that is generally charged?

A.—For small amounts 12 per cent and sometimes higher also. It all depends upon the solvency of the man and his social position.

Q.—Have the co-operative societies helped them to any extent?

A.—We are helping them to a certain extent.

Q.—What is the security upon which you are giving them money?

A.—On personal security or at times with the signatures of two members.

Q.—But for purely agricultural labourers who have no property whatsoever and who depend mainly upon the harvest at the end of the year, have co-operative societies been started for the purpose of financing them during the cultivation season?

A.—Among our members there are men who are leaseholders, and there are also a number of other cultivators who have got their own little property and can borrow from the co-operative societies with somebody else to stand as surety also.

Q.—Do you think that co-operative societies can do a lot of help to such people?

A.—Yes, very much.

Q.—Has there been a tendency towards decreasing of interest in the localities when co-operative societies are operating?

A.—In our districts interests have been lowered considerably after the societies have been started.

Q.—Have repayments been fairly regular with such people?

A.—Not regular.

Q.—What is the reason?

A.—The reasons are many. First, they do not know that there exists a society at all. They are so illiterate and are under the impression that the loan is given to them by Government and they can repay it at any time they please. The literate portion of the people think that they are the masters of the whole situation. They take a great portion of the societies' money and misuse it. In some cases they borrow money for clearing off prior debts. These and other various causes account for the irregular repayments.

Q.—Do you think that having regard to the cultivation in this part of the country and the income that they get out of their produce, the repaying capacity of the ryots can be improved if they are more industrious and more businesslike?

A.—In many cases the produce is not sufficient for repaying except when it is supplemented by additional incomes from some other properties which the borrowers might possess, such as buildings and trees. Some of the ryots depend upon the support of their relations who might be officials for repaying their loans and a major portion of the deficiency is made up by the produce out of trees. Trees are generally the most profitable here.

Q.—Therefore, given proper organization and educated properly to realize the responsibilities of membership, do you think that there is a very good chance of co-operative societies proving of immense help in financing agriculturists in Malabar?

A.—Yes, they will be of immense help to them, and they have already done much towards that end.

Q.—Do you think that the janni money-lenders could be replaced by co-operative societies in course of time?

A.—Yes, we can certainly replace them, if we are sufficiently organized.

Q.—You advocate land mortgage banks for lands for long-term credit?

A.—Yes.

Q.—Are there any difficulties with regard to the tenure of land when the land is to be mortgaged with the bank, under the present system of kanoms in Malabar?

A.—I do not know what security will the land mortgage bank take in regard to the property of the kanomdar, because he is only a leaseholder of the land, for a certain fixed period of years.

Q.—The kanomdar has got some interest in the land at end of his tenure, that is to say, he is entitled to the kanom amount. That amount will stand as security for the land mortgage banks.

A.—But there is still another difficulty that presents itself here. The kanom amount which you refer as being entitled to the kanomdars at the time of ousting is not always a reliable thing, for the kanomdars pay the amount at the time of executing the lease to the landlords as a guarantee that they would make such and such an improvement in the land. If this improvement is not done, the landlords do not return the kanom amount at the time of ousting the kanomdars and therefore that amount cannot form a security to the land mortgage bank.

Q.—Do the landlords borrow from co-operative societies?

A.—Only a very small number of landlords come to the co-operative society.

Q.—With regard to the indebtedness of the big jannis, do you think that co-operative societies can help?

A.—No, not even the land mortgage banks.

Q.—With regard to marketing you refer to want of facilities for communication as one of the defects. Have you any suggestions to make for improving it?

A.—The suggestion is that better roads should be provided and a certain amount of the revenue should be earmarked for roads and communications by the local bodies.

Q.—Do you think that there is sufficient co-operative spirit in the villages and that it will grow if the co-operative societies multiply?

A.—Yes. The progress of co-operative movement and the development of co-operative enthusiasm and spirit among the ryots depends very largely upon the leaders. They should explain to the ryots the various advantages of the co-operative societies in a most convincing way and if all this is done, the villagers will really take some interest in the matter.

Q.—Do you think that co-operative societies can lead in the direction of creating the spirit necessary in the villages?

A.—Quite so, but I may say that our own houses must be put into order. At present our house is not in proper order and that is the difficulty in undertaking co-operative propaganda. Co-operative societies have done a great deal towards ameliorating the conditions of ryots and the movement is bound to succeed if handled carefully.

Q.—With regard to marketing you told us that a large portion of the rent is paid in kind and that it passes on to the hands of landlords. Can you tell us how the landlord disposes of the produce?

A.—Generally in the case of big landlords, they keep the produce for a number of months until the market is favourable and convert it into money.

Q.—So it comes to this, that though the stipulation is for payment of rent in kind it often happens that the landlord converts that into money value and takes it in money and leaves the produce to the producer himself. Is it not so?

A.—Yes.

Q.—Which is the more usual, to take money like that or to allow the cultivator to pay in kind?

A.—The cultivator will be very pleased to pay the money even though the conversion into money value has been at a higher rate. It is because of the lot of difficulties that exist if it were to be paid in kind.

Q.—So a large portion of the rent that is stipulated for in kind is really paid in money?

A.—Yes, except in the case of paddy where if the landlord wants the paddy he insists upon the payment in kind.

Q.—To confine ourselves to the commercial produce, it is all in the hands of the cultivators themselves?

A.—Yes.

Q.—Have you tried on the co-operative side the starting of purchase and sale societies with regard to such produces?

A.—I have already told you that we have started one society as an experiment for arceanut.

Q.—Is there any society for cocoanut?

A.—We have not tried it.

Q.—Do you think there is scope for such societies?

A.—Yes, there is a good deal of scope.

Q.—Would you like any special facilities to be given to the co-operative societies to take up that kind of work?

A.—I will explain the difficulty that prevents us from entering into that kind of business. Now the method of doing such business can be divided into two classes. One is the business done on a small scale, creating your own share capital and working capital by degrees and the other is to start altogether by investing a large amount of money as is done by commercial people. But in the co-operative movement we have to give up the large scale business either through fear of failure or difficulty in getting the money. So the small scale business alone can be undertaken by the co-operative movement. But then efficient supervision is necessary which now does not exist and hence the whole object is frustrated. Our difficulty mainly lies in the lack of proper supervision; at least in the beginning of the concern some help that is being now given by the Co-operative department should exist. The success that attends upon the society that we have started depends entirely on the help that the Co-operative department is rendering through the Inspector who has been deputed for the purpose. The help that is required does not relate to money alone. The society should be nursed in the proper way and it is there that the help is necessary.

Q.—We are now considering the banking aspect of it. What kind of facilities do you require in that direction?

A.—Facilities are required for quick transmission.

The Chairman: Where is the society?

A.—It is thirty miles from here.

Mr. Muniswami Nayudu: You told us that the district bank has a surplus of Rs. 1 lakh. Do you think that there will be sufficient money forthcoming in the co-operative societies for carrying on this activity of financing the agriculturists against produce and selling their produce at a later date for proper prices?

A.—We have sufficient finance but we do not know how to use it profitably and want of knowledge is the cause of that.

Q.—In whose hands is the ultimate trade in coconut and arecanut in this district?

A.—A major portion is in the hands of the Muhammadans and the petty shop-keepers and a small portion is in the hands of the Tiyas and Nayars.

Q.—Do you think that by starting co-operative societies you could really do the work which these petty traders are carrying on with profit, taking into consideration the cost of running an establishment and keeping the produce in warehouses?

A.—It is very difficult to reconcile their interest with the interest of the producers because one is antagonistic to the other.

Q.—What I am telling you is this: take a small village, where there are a number of producers. If you are going to do the work of marketing on a co-operative basis, you have got to make advances on the produce, secondly, to sell the produce to the man who wants to purchase and then return the money to the producer. In that period you should have an establishment, you should have to pay interest on the advances and then would the margin of profit that you will be able to get be sufficient, after deducting the various items of expenses, to return to the cultivator a larger amount than he at present gets?

A.—In the case of the industrial produce there is a good deal of fluctuation in the market rates and a little bit of speculation exists in that business. The co-operative societies do not generally stock the produce and undertake a speculative business. In the case of the private merchants, they take the risk and some of them gain very much and some of them have lost also much. But if co-operative societies undertake to do this it can only be in the form of a commission business without any sort of responsibility for the ultimate value of the produce.

Q.—There were some questions put to you about kuris. Do you think that the habit of the people to save some money and ultimately to invest it periodically so that they may get a lump sum on a future date is prevalent here?

A.—Yes.

Q.—You told us that the kuris have extended to the rural areas also?

A.—It came from the rural areas to the town and it is the town that has spoiled the value of the kuri but in the interior it is all right.

Q.—You say that such a practice is prevalent with the ordinary agriculturists apart from the population who trade and who therefore have got some money to lay by?

A.—All classes take to this kuri. Even the Pauchamas take to it.

Q.—You told us that in the case of small kuris say within Rs. 200, the organization is more or less in the nature of a communal organization?

A.—They are friendly organizations.

Q.—The credit of the person who starts the business is the main factor in the running of the kuri?

A.—Yes. It is his honesty and character that are the security.

Q.—You told us that with regard to the bigger kuris the feeling generally has been now to demand a sort of a security from the man who starts the business to provide against possible risks. Do you think that the co-operative societies can step in and the president or the secretary in a village society will be the guarantee that is needed for the starting of a kuri organization of this sort?

A.—The kuris can easily be undertaken by the co-operative societies. These will command more the confidence of the public.

Q.—Have any co-operative societies taken up such a thing to your knowledge?

A.—I do not think that very many co-operative societies are conducting kuris now. In the beginning there were kuris conducted by the co-operative societies but they were discouraged by the Registrar of Co-operative Societies who considered that it was not proper that a co-operative society should conduct a kuri as it obtained in Malabar. Latterly that view has been changed.

The Chairman: Was it before my time?

A.—Yes.

Mr. Muniswami Nayudu: Are any societies running kuris now?

A.—Very few societies run kuris in the name of the societies. But the members of the societies are running kuris in their individual capacity.

Q.—Are you for the co-operative societies running kuris?

A.—They can very well run a kuri for, say, Rs. 200 or other small amounts. Kuris for big amounts should not be undertaken.

Q.—Do you want to mix the kuri business with the rural credit business?

A.—It will be something like a provident fund, the collection being made by the society from the members with some restrictions about repayment.

Q.—If the habits of the people are such that they would save something every month with a view to get a lump sum at the end of a definite period, that would be a thing which the co-operative societies might very easily develop by starting kuris. Do you not think so?

A.—Yes.

Q.—For one reason you will have the benefit of the money in your hands and there will be no financial loss. Now do you think that if the co-operative societies take that as one of their activities in their district there would be sufficient response from the people on that point?

A.—Yes, there will be sufficient response.

Q.—Then do you think that with regard to the bigger kuris also the societies which have fairly advanced and which have large transactions can conduct them?

A.—It will not be so easy for a co-operative society to conduct a big kuri because the payment will not be timely and punctual and the payments will be such as only the rich people could make. The poorer classes cannot become members of that kuri because the payment for each chit will be very big.

Q.—Supposing some inducement is held to those who want to promote a kuri that they should start a co-operative society for that purpose and under that they should run kuris, would the people be willing to welcome a step in that direction?

A.—A large number of people will become the members of such a society.

Q.—Would you advocate that as a step in the right direction so far as the thrift habits of the people are concerned?

A.—I have been long thinking why these kuris have not become popular in our co-operative societies as they ought to be because the people know them and they are familiar with them. That was my feeling, but somehow or other the provision for the kuris did not find a place in the by-laws. Whenever a new society is formed, if provision is made in the rules for the running of kuris or the provision of provident funds, it is scored out.

Q.—From the savings point of view you would advocate the starting of societies purely for this purpose?

A.—There need not be any separate society for the purpose and it is enough if the kuri funds are kept separately and the lending in regard to those funds are strict.

Q.—There cannot be any question of lending because the money that has been collected will have to be disbursed soon after.

A.—I have in mind the fact that the societies by means of kuris can raise a capital of their own and safely lend such money provided there are sufficient safeguards.

Q.—Do people invest money in the postal savings bank?

A.—Many of the middle class people and the officials do it.

Q.—Do the agriculturists take to the savings banks?

A.—They do it seldom.

Q.—What is the reason for it? Is it due to the fact that they have nothing to invest or is it that they prefer some other form of investment?

A.—The agriculturists who have money to spare have faith in land only and they invest their money in the purchase of land. Land and nothing but land will attract their savings.

Q.—Are there local people who deal in money-lending transactions and who receive deposits from the agriculturists and pay them some interest?

A.—The cash is kept by the agriculturist himself and he never parts with that money, until he purchases land with that money.

Q.—He hoards the money then?

A.—Yes, the hoarding tendency exists, especially among the womenfolk. They always secrete some money somewhere.

Q.—Is there no way of inducing them to invest the money in some bank?

A.—If they gain confidence in the banking institutions all this hoarded money will come out.

Q.—Have you been able to bring it out by means of the co-operative societies?

A.—Yes.

Q.—There are no land mortgage banks at all in this district?

A.—No.

Q.—So, you have no experience of how they are working?

A.—No.

Mr. Hameed Sultan Maricair: Have you any idea as to how the smaller merchants are financed in these parts?

A.—The smaller merchants up to a certain stage freely make use of the hundis payable after three months.

Q.—They borrow from the money-lenders?

A.—Yes.

Q.—That is from the Multanis?

A.—From the Multanis and other money-lenders.

Q.—At what rate do they borrow?

A.—It is never less than 12 per cent for the small traders.

Q.—So the fixed rate of interest with the Multanis is 12 per cent?

A.—Generally if they have larger dealings they charge $3\frac{1}{4}$ per cent over the bank rate. But the rate will increase in proportion to the smallness of the person borrowing.

Q.—Most of them are financed in the shape of hundis?

A.—Yes. Some of them pledge jewels belonging to their family, some start kuris and raise a capital. Some mortgage their property and thus raise loans and start business. But most of the business is on credit here.

Q.—What about the joint-stock banks?

A.—Most of the transactions are on credit. Suppose I am a rice dealer. After selling the rice I take my profit and pay the bigger dealer with interest the amount due to him.

Q.—Within how many days do you repay?

A.—They have got a system of daily transactions.

Q.—Do they charge any interest?

A.—Yes.

Q.—What about the shop-keepers of the bigger type?

A.—They borrow from the Multanis.

Q.—For three months?

A.—Yes.

Q.—All these hundis are discounted in the banks and they pay into the banks?

A.—They either pay after the termination of the hundis or they renew the hundis.

Q.—Why do they not have transactions with the joint-stock banks like the Nedungadi Bank?

A.—It is because they think that it is troublesome to have transactions with them somehow or other. They find it much convenient to have transactions with the Multanis than with the joint-stock banks. The Multanis take much risk in lending the money but the risk is compensated for by the high rate of interest that they charge. Further they are from times immemorial very clever in their business, both in the method of advancing and in the method of collecting.

Q.—After all they are not sustaining any loss?

A.—They have losses now and then. Recently they sustained a very heavy loss. But on the whole I think they should be making some money out of their transactions for otherwise they would not continue to be here.

Q.—You say that it is more convenient for the shop-keepers to have transactions with the Multani bankers?

A.—Yes.

Q.—The high rate of interest they are willing to pay?

A.—Yes, the interest is nothing to them.

Q.—In spite of these they are doing good business on the whole?

A.—They conduct most of the business on credit. They get the things on credit and as soon as they sell them and get the money they make the repayment. This will represent about 70 per cent of their transactions.

Q.—The remaining 30 per cent of their dealings is with the Multanis?

A.—Yes, by pledge of jewels, by mortgaging property and other things.

The Chairman: Mr. Gopala Menon asked you about the question of whether the rate of interest could be lower in the villages and Mr. Muni-swami Nayudu asked you about the existence of the hoarding habit in the villages. The hoarding is in the form, I take it, both of cash and of jewellery?

A.—Yes.

Q.—If the hoarded cash could be got into circulation instead of allowing it to remain frozen as it is at present would not that contribute towards the reduction of the rate of interest?

A.—It will.

(The witness then withdrew.)

Tuesday, 11th February 1930.

CALICUT.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur HAMEED SULTAN MARICAIN SAHIB Bahadur.

M.R.Ry. M. GIRIAPPA Avargal, Deputy Registrar of Co-operative Societies, Calicut.

Oral evidence.*

The Chairman: Mr. Giriappa, you are now in charge of the Calicut and South Kanara districts?

A.—Yes.

Q.—Do any of the co-operative societies in these parts lend on jewels?

A.—No. Some societies applied to us whether they could lend on jewels, but after Registrar's instructions in the matter, we have told them that they should not do so.

Q.—How do these co-operative societies work in the West Coast?

A.—They are getting on fairly well.

Q.—Are there ample funds for short-term loans?

A.—Yes, there are ample funds.

Q.—Do they make much use of them?

A.—They are not making much use of them at present. Speaking of South Kanara, the societies have tried a system of forecasts, but they have failed. In Malabar it is being introduced and the difficulty here is that there is a lot of delay in the disposal of loan applications. If the ryot applies for a short-term loan for his cultivation, he gets the money only at the time of the harvest. Moreover the people here do not really understand the significance of short-term loans. They do not understand that the amount should be repaid at the next harvest. The idea is being instilled into their minds nowadays and some improvement is being noticed. Moreover the other day at the pauchayat conference at Palghat the principles underlying the short-term loans were explained and they expressed their readiness to make the best use of them.

Q.—Are there any delays in the repayment of the loans taken?

A.—There are delays because the members get their money only after a great deal of delay. The delays in the disbursement of the loans occur only in the two places, the co-operative society and the co-operative union. I do not think there is much delay in the district bank, and the delay in the co-operative societies could be avoided by the adoption of the forecast system which has recently been introduced and the delay in the union will be avoided by the appointment of a small committee to dispose of loan applications quickly. The members' complaint is, as I have already stated, they do not get the money at the time when they require and this leads to the postponing of the repayment on the due date. To enforce strict repayment on their part, we should also make some provision to hold up their crop soon after the harvest, for a favourable market.

* For written evidence, vide pages 841—846 Vol. III.

Q.—What about the marketing of produce? Has anything been done in that direction in these districts?

A.—That problem presents some difficulties. The first thing that I would suggest is to organize a loan and sale society at every union centre with a central sale society at the headquarters of the district. There is also another difficulty that presents itself now and that is the collection of some statistics regarding the prices prevailing in the various markets in the districts. For that purpose some outside agency is necessary, preferably the Government, to examine the conditions of each produce and find out where a particular commodity has a best market and at what season of the year and so on, and if they publish any such statistics, it will go a great way towards solving the problem. It is not possible either for the bank or for the societies to undertake this work.

Q.—You have got a school at Coimbatore. Could that not, with the help of the Agricultural College, undertake to do all these investigations?

A.—I do not know whether they can pay for a financial expert to carry on the investigation.

Q.—What investigations do you require them to undertake?

A.—We want a detailed investigation into the condition of market for each produce, for instance, pepper and arecanut.

Q.—Could not the local officers of the union and the department make the necessary enquiry and send that to the institute at Coimbatore?

A.—The investigation has to be pursued. It requires a lot of time. The local union or federation cannot do it for they have not got the necessary time and experts to sit up for the work.

Q.—The enquiry you suggest is only another form of co-operative marketing. Do you not think that the work could be done by the institute?

A.—I do not think that the institute is quite competent at present to undertake such a work. In the first place they may not listen to any such proposal, and in the second place they may not have the necessary funds to employ an expert to investigate into the trade conditions of each product. The investigations will have to be conducted all throughout the year and bulletins will have to be published. I do not think the institute can at this stage do that work, nor the village societies and the unions too. What I want to submit to the Committee is that there is no use in co-operative credit unless co-operative marketing follows in its wake, and both of them must go hand in hand.

Q.—You say that co-operative credit is of no use without co-operative marketing. What is the use of the investigation at all, if you think that co-operative marketing is possible?

A.—My opinion is that the investigation should precede the question of marketing.

Q.—Surely investigations of this sort would be best carried out through some central institution which should place everything on record. It is with that idea only that I suggested that the institute at Coimbatore can do the work. Could they disseminate the results of their investigations?

A.—If that agency could pursue the investigation and publish bulletins in the towns and villages, it is alright.

Q.—Do you think that it is possible to have an institute for every district? Who is to maintain and support such institutes?

A.—It must be possible, if we want to carry out any such investigation. The expenses may partly be met by Government and partly by the non-officials.

Q.—At present we have got six institutes in the Presidency. Do you think that it is possible to form more? Would it be more efficient and better if they materialise? May I suggest that it will take a long time before you can have one institute for each district, and that it will not be possible to get enough of candidates to keep them going on?

A.—Yes.

Q.—Teaching side of it is also necessary?

A.—Yes, it is very necessary. In fact it is the basis.

Q.—You have got the prices of various crops published in newspapers. Is it necessary to get the prices to the ryots?

A.—Yes, it is also very necessary.

Q.—Have these institutes any material effect in developing the co-operative movement?

A.—Yes. They are really serving a very useful purpose in that they are educating the people for co-operative work. In fact, I should think that even the enemies of the co-operative institutes have now begun to say that they are getting better class of supervisors.

Q.—We were told that in the villages there is a considerable amount of hoarded wealth. Do you think that it is true?

A.—I do not think there is any considerable amount of hoarded wealth in the villages, in these parts.

Q.—Hoarded wealth includes two different kinds of savings. One is cash and the other is in the form of jewels and ornaments which can be converted into gold and it is also a saving. Do these exist to any very great extent?

A.—No, particularly in Malabar people are not hankering after jewels.

Q.—What are they doing with those savings? Is there much money-lending among ryots?

A.—The ryots themselves lend to one another. The wealthy ryots lend to the smaller ones.

Q.—Do any of them deposit money into co-operative societies?

A.—I do not find their savings are deposited in co-operative societies.

Q.—Why not?

A.—They only prefer to lend their savings to other ryots. If they only deposit their money into the co-operative societies, they are not sure of getting it when they want. There is no provision in the by-laws of co-operative societies to return the members' deposits when they want.

Q.—If they adopt the forecast system of loans, would it not enable the ryots to deposit their savings in co-operative societies?

A.—Yes. In many of the co-operative societies here there are no provisions for savings deposits.

Q.—If they have better cash facilities, would the members put their money into the societies?

A.—Yes.

Q.—Do you think it is due to distrust?

A.—Not exactly so. They are not sure that they would get back the money at any time they might require. As I have already stated, there is no such facilities in co-operative societies here.

Q.—In the village societies the bulk of the funds are in the form of share capital. Is that satisfactory?

A.—It is fairly satisfactory, and it is vastly developing.

Q.—But the ryot cannot get it back. Do you not think that it is worth while to foster the growth of savings deposits in co-operative societies?

A.—It is very advisable. Many societies have passed by-laws providing for savings deposits. About 25 per cent of the societies have already amended their by-laws to this effect.

Q.—Do you know anything about the kuris?

A.—I do not know about them.

Q.—Do any of the co-operative societies run kuris?

A.—It is only one or two co-operative societies that have applied to me for permission to run chit funds.

Q.—Have you come across with the activities of the newly formed agricultural banks?

A.—I have no idea about that, and I am not conversant with them.

Mr. Muniswami Nayudu: You refer to Imperial Bank's attitude towards co-operative societies with regard to the grant of overdrafts. Will you kindly tell us what exactly your difficulties are? I understand that the Imperial Bank wants the district banks should look more to the urban banks for their overdrafts than the Imperial Bank and with that object they are trying to reduce their overdrafts during the course of five years.

A.—I do not think that is the reason. They have no faith in the promissory-notes of co-operative societies and that is why they are cutting short their overdrafts.

Q.—You have got a lot of money in the Central Urban Bank. Why not the various district banks draw money from the Central Urban Bank?

A.—If money is readily available from the Madras Central Urban Bank we can do that.

Q.—Coconut and arecanut are the two commercial crops here. Does the actual producer get a fair price or value for it now?

A.—I understand that he is not getting.

Q.—Do you think there is any method by which he could be made to receive its full value?

A.—We must be able to market it to the place where it is exported by the middleman. In the case of arecanut it is manufactured here and sold at Bangalore, Madura, Trichinopoly and other places. The ryot does not know where he can market it.

Q.—Is it purchased directly by the merchants and is it manufactured by them in the town here?

A.—It is manufactured here prepared for the market and then sent to Bangalore and other places.

Q.—The agriculturist sells the arecanut in an uncured condition?

A.—Yes.

Q.—Do you think they can be helped?

A.—The ryot must be taught to manufacture and the ryot must also be told where he can market to his best advantage.

Q.—Is it necessary that the ryots should have plants for manufacturing?

A.—The ryots themselves should combine together and start a co-operative sale society for selling arecanut in the best market.

Q.—Such arrangements for preparing nuts for sale can be done by the co-operative societies?

A.—Yes, it is being done by the sale society here. We are told that the market is in Bangalore, Bellary and Hindupur. We are unable to employ competent men for selling it.

Q.—The ryot has to cure the arecanuts within 24 hours after plucking?

A.—Yes.

Q.—As he is not able to cure it he sells it in the unmanufactured state to the merchant in the town sometimes at very low prices. If the co-operative societies enable him to cure his arecanuts he can keep his stocks for sometime more till he gets a good price?

A.—Yes.

Q.—You are of opinion that the co-operative societies could come to his help?

A.—Yes surely.

Q.—What would be the cost of the plant?

A.—A sum of Rs. 200 is necessary. It is cut with some old instruments.

Q.—Are there not wealthy men in the villages who are themselves purchasing these things and curing them with a view to sell?

A.—They are doing it on a small scale but those people do not know where they could market it. They are not in touch with the price of the market. They tried to send their men but then the prices went low.

Q.—Surely if the ryot is able to keep up his stock without selling them to the merchants he would be able to get a better price if he cures them and sells afterwards?

A.—Yes. If he is able to cure it he can keep it for some time. I know of a merchant who cures but yet lost. Want of information as regards the market price stands in the way.

Q.—The ordinary producer sells away to the nearest merchant. In order to avoid it, could not the co-operative societies stock those things and sell it to other merchants for a better price?

A.—The merchant will not give a good price.

Q.—Do you mean to say that there is no competition among the merchants?

A.—There are two merchants. They are brothers.

Q.—Nobody else?

A.—No.

Q.—Do you think that these people make very large profits?

A.—Yes; these two merchants have made lakhs on arecanuts.

Q.—How is it then that people do not come forward to make that a business and make profit out of it?

A.—Individually each man feels nervous about it.

Q.—Are there any secrets in that trade?

A.—There are secrets in manufacturing. We must know how to manufacture.

Q.—Have you investigated why it is that the two brothers are doing that trade while others have not come to trade even though it is very easy to organize and make profits?

A.—Suppose he manufactures. He will have only small quantities. He will have to find out the market elsewhere. He must be able to depute a man and watch the price and see whether it is rising or falling. It does not pay for him. If there is a co-operative society composed of a large number of ryots they can afford to employ a man. Some of them have also got some experience of curing. One man cannot afford to risk and suffer. Half a dozen people who have lost in the trade have joined the society and they have now succeeded. One is the Secretary of the Kumaranallur arecanut wholesale society.

Q.—Do you think from your experience for the last two years that it could be encouraged?

A.—Surely, the society has now got branches. They are arranging for curing and marketing. They want some technical help from the Government. One Inspector is solely employed for this purpose. He is going to be sent to Madura and other places for marketing.

Q.—But with regard to coconut what is the difficulty? Is there sufficient rivalry in the trade?

A.—I have not handled it.

Q.—Are the people accustomed to saving habits?

A.—They have some spare cash with them but I am not able to say whether they have acquired the savings habit because I do not find any deposits in the co-operative societies.

Q.—Are your co-operative societies financing the cultivators?

A.—Now they borrow from the co-operative societies.

Q.—But they want long-term loans. Is it not?

A.—Yes.

Q.—You do not expect them to return in the course of one or two years?

A.—They now borrow for two years.

Q.—Are they able to repay?

A.—Some repay and some apply for extension of time.

Q.—Surely such loans could not be given by the co-operative societies?

A.—The co-operative credit societies should not lend money for these purposes.

Q.—Then what do you suggest towards financing such needs? Would the land mortgage banks be able to do that sort of work?

A.—The land mortgage banks might do that.

Q.—One incident of the kanam tenure in Malabar is that once in ten or twelve years when the kanam has to be renewed the fee that the tenant has to pay is very heavy and the amount could not be repaid in the next year. What would you suggest for that?

A.—I do not think that the land mortgage banks are necessary for the purpose.

Q.—Wherefrom do the people now get money?

A.—Now they get from the co-operative societies. Some repay within the fixed time but some apply for extension of the time. I think that the amount can be repaid within a period of five years at the most.

Q.—Are your societies now lending for five years?

A.—They now lend for five years.

Q.—In the case of places where there are no co-operative societies where do they borrow from?

A.—In the villages they borrow from the richer landlords and in the urban areas they borrow from the traders.

Q.—What is the prevailing rate of interest?

A.—From the merchants they borrow at the rate of 12 per cent. That is what is called the *mariatha palisa* or the normal rate in Malabar. It all depends upon the necessity of the person borrowing. In some cases they borrow even at 24 per cent and 36 per cent interest at times. I know of an instance where a man in Ponnani borrowed at 36 per cent interest and the result was that in three years' time he had to sell away his property.

Q.—Are such cases general?

A.—There are persons here at Calicut who lend at 24 per cent and 36 per cent but that will depend on the man himself and the necessity. But ordinarily the rate of interest is 12 per cent.

Mr. Gopala Menon: One of the problems that we have to solve is with regard to the marketing of the produce. Do you think that the ryot could be brought into touch with the ultimate buyer or consumer?

A.—Yes.

Q.—How?

A.—It can be done provided there is a sale society at every union centre and there is also a central society so that all these sale societies at the union centres could be federated to the central sale society. This co-operative society should be able to lend the ryot also to some extent and the sale society also should be able to lend him to some extent, so that the produce brought to these sale societies could be marketed in the district centres or elsewhere to the best advantage.

Q.—Have you thought of the difficulty of eliminating the present agency that exists between the merchant and the ryot?

A.—We can easily eliminate all the difficulties provided we make it a condition precedent when we give the loan that he should hand over the produce to the co-operative society.

Q.—Is it your view that instead of the present agency lending him money there should be the co-operative societies which should lend?

A.—Yes. Now the ordinary money-lender lends to him on condition that he gives his produce to the lender. So also when the co-operative society lends to him it should insist upon the condition that the produce should be brought to it.

Q.—In that case do you think that the present agent whether he is a merchant or a middleman can be eliminated?

A.—If the society lends for cultivation expenses, the society will get the produce.

Q.—Do you not think that the export merchant, say for instance ground-nut or cotton, should certainly get the produce for export? Will he not try to get into touch with the cultivator thus compete with the co-operative societies? How can you then eliminate the present agency in the country?

A.—If the co-operative societies would assure the ryot of the best market for his produce he would rather prefer to sell his produce through the co-operative societies.

Q.—Your idea is that the present agency is charging a high rate of interest and that the co-operative societies might lend at a lower rate of interest. Is that it?

A.—Yes.

Q.—Do you not think that the present agency will offer him money at a lower rate of interest and try to secure the produce and retain the custom of the ryot which he now has?

A.—Even then if the member is loyal he will give his produce only to the society.

Q.—Your idea then is that he must be made a member of the society and he should be asked to deal only through the co-operative society?

A.—Yes.

Q.—What is the rate of interest at which the present agency advances money to the ryot? Have you any idea?

A.—I understand that they lend to these people at 12 per cent.

Q.—What is the margin kept?

A.—They lend generally about 50 per cent.

Q.—We were told that in some cases it extends up to 70 per cent or 80 per cent? Is that not true?

A.—Yes. In such cases they take the risk.

Q.—And he gets the raw produce. Is it not?

A.—Yes, and then prepares it for the market.

Q.—Who prepares it for the market?

A.—The middleman.

Q.—Of course that can be done a co-operative society is it not?

A.—Yes.

Q.—Your idea is that the ryot must be brought in a position of collective bargaining through the co-operative societies eliminating the middleman?

A.—Yes.

Q.—You naturally think that those export firms or others will have to go to the sale society and buy there?

A.—Yes, if they want to buy.

Q.—Do you then think that the present number of co-operative societies is enough at all for that sort of business?

A.—I do not say it can be done but it is possible to do that.

Q.—So a great deal of propaganda work is needed not only to educate the ryots but also to bring more co-operative societies into existence?

A.—Yes.

Q.—My fear is whether there will be an actual competition between the co-operative societies and the commercial agents that are working at it now. Do you not think so?

A.—The members of the society will feel that the society alone is their salvation, because even if the export agent offers him money at a lower rate of interest he knows that he will be squeezed at some other stage and so he has no faith in such agents. So, if they are only loyal to the co-operative societies we can certainly eliminate the middleman.

Q.—So you not only want these institutions to be brought into existence but you also want that attempts should be made to finance these organizations taking care that the private commercial interests do not kill them?

A.—Yes.

Q.—Do you think that then you can achieve your object?

A.—Yes.

Q.—Then there is another agency apart from these export merchants. The joint-stock banks want business. They must have business and they must live in the country. Is that not so?

A.—If the co-operative societies develop they may go.

Q.—What I want to know is whether there will be any co-operation between the joint-stock banks and the co-operative societies in order that both these financial agencies may secure the products and afterwards sell to the export merchants?

A.—I do not mind if the joint-stock banks advance money on produce deposited in the sale society. But I do not want them to come in until there is a paucity of funds.

Q.—What I have in mind is this. The middleman must live. Can you eliminate him?

A.—Yes, we can certainly eliminate the middleman. In the case of the coir industry we have eliminated a large number of these middlemen, and we are able to deal directly with Messrs. Pierce Leslie & Co. Even for that work we have not now got a separate man and we have addressed the Government through the Registrar. Probably we can even eliminate Messrs. Pierce Leslie & Co., and have direct dealings with England, Germany and other places.

Q.—The chief difficulty for the producer is to get at the financing institutions because every time the middleman will be there to finance him. Is it not so?

A.—For that purpose the district banks have to open branches where there are the sale societies. As it is there are no such facilities.

Q.—Along with that do you think that anything else should be done in order to educate the ryot?

A.—Yes. Some propaganda work should also be done.

Q.—For that propaganda where will you have your agency? It must be a man knowing all about the marketing conditions and the prices of the various commodities. Have you got any such agencies now in the country?

A.—It is just that that is waiting now.

Q.—You have no salesmen in the country either to buy or to sell?

A.—No, we have not got people who can advise.

Q.—What is the agency that you can bring into existence. You want to educate the producer and you also want propaganda work to be done amongst them to tell them that the produce should be sold through the sale society?

A.—We want propaganda at the bottom and at the top we want expert advice in the matter of the sale of the produce.

Q.—How can we create this agency? Whatever may be the number of societies that you may start and the financing agencies that you may have, you will slowly find that the middleman comes and takes away the produce from the ryot, owing to the present relationship between the two?

A.—I discussed the matter with Mr. V. K. Menon and he told me that if the Government would send a man he could be taken as a subordinate in the federation. His idea is that one man should be fixed up in the federation and that the federation being unable to pay such a man the Government should pay him.

Q.—But where is the man with the requisite knowledge to come from?

A.—There are a number of people. They have only to be paid for heavily.

Q.—Do you want a separate man for each commodity?

A.—That is not necessary. There can be found persons with the requisite knowledge in regard to many of the commodities.

Q.—With regard to what?

A.—With regard to marketing.

Q.—You have no salesmen in the country either to buy or to sell as in the western countries?

A.—We have no people to give expert advice in such matters.

Q.—What is the remedy that you can think of? What is the agency that you can bring into existence?

A.—The produce in each district should be marketed by the central loan and sale society. In the first place we want propaganda at the bottom and expert advice at the top.

Q.—How can we create this agency?

A.—I discussed this matter with Mr. Krishna Menon of the Federation here and he told me that if the Government would pay a man he can work under the Federation. He must form part and parcel of the federation. He thinks that one man entirely responsible for all the work and working wholly under the Federation but paid by the Government is necessary.

Q.—You want a man, but where is the man with the requisite knowledge to come from?

A.—He is available. There are a number of experts here.

Q.—You want one man for each commodity?

A.—If possible, otherwise persons may be found with the requisite knowledge of all these things.

Q.—What is that 'requisite knowledge'?

A.—Knowledge of marketing, how it is marketed, in what all places, what is the process of manufacture, etc. Propaganda is also necessary.

Q.—But propaganda does not require expert knowledge? Practically you want a man to go and buy these things from him and where do you get such trained men from? From where can such men with the requisite knowledge be trained?

A.—They can be trained in some of the European firms or in the training institute.

Q.—You want trained men and there must be a place where such men can be trained?

A.—Yes.

Q.—Do you think that the co-operative institutes can take up the training of such men?

A.—Yes. I want also to suggest one thing and that is the registration of all these money-lenders and the prohibition by legislation of excessive rates of interest. Now they charge 18 to 36 per cent interest and ruin the ryots.

Q.—You want the rates charged by these men to be limited by legislation?

A.—Yes.

The Chairman: Are there many Multanis and Marwaris here?

A.—There are some Multanis but very few Marwaris.

Q.—Do the money-lenders lend to the ryots on the condition that it should be repaid in kind?

A.—Yes.

Q.—Any idea as to what rate it will work up to?

A.—It will work out at 24 per cent interest.

Q.—Is that all?

A.—Yes, only 24 per cent.

Q.—That is a common form of lending?

A.—Yes.

(The witness then withdrew.)

Wednesday, 12th February 1930.

CALICUT.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIK SAHIB Bahadur.

M.R. BY S. RAMASWAMI AYYAR Avargal, Banker, Tali,
Calicut.

Oral evidence.

The Chairman : I understand that you are a banker here?

A.—Yes.

Q.—What is the nature of the business that you are doing?

A.—I am helping the local merchants in transporting their goods to several places in the country by advancing money to them on documents. I take the document as security and send it through the Imperial Bank and realize the amount at the other end.

Q.—Do you work on your own capital?

A.—Yes.

Q.—You do not receive deposits?

A.—No.

Q.—What is the nature of the documents on which you advance?

A.—I advance money on railway receipts. Besides I am doing my hundi business. For instance a certain gentleman books some copra or coconut coir from here to the Andhra districts, and suppose he has no money at the time. He comes to me with the railway receipt. I know approximately the cost of the goods; I advance nearly 75 to 80 per cent of the total value of the goods and get a demand pro-note executed in my favour for the amount. I then give it to the Imperial Bank and the Imperial Bank credits my account with the amount and realizes it through their branches at the other place from the other merchant. That is how I am carrying on the business.

Q.—Where does the railway receipt come in?

A.—That represents the goods consigned. The local merchants brings it to me and the goods which it represents are my security for the amount I advance.

Q.—What is the use of the railway receipt. The goods are consigned to somebody else there?

A.—The railway receipt will be with me and unless the consignee produces the railway receipt at the other end, he cannot take delivery of the goods. I do not know that party myself, but the goods are my security. I entirely rely upon the fairness and honesty of the party.

Q.—If the consignee signs an indemnity bond, could he not take delivery of the goods?

A.—Then I will bring him to the criminal court.

Q.—How can you bring him to the criminal court, he is only the consignee and the goods are booked to him. Suppose he says that he has lost the railway receipt and signs an indemnity bond, can the railway authorities refuse to deliver the goods?

A.—Surely not. There has been no difficulty up till now. I have been doing business like this for about 10 lakhs of rupees and I have never been cheated hitherto. How can the other party say that he has lost his railway receipt when I have paid my cash here and when I have got the railway receipt with me. He could surely be brought to court.

Q.—He could take delivery of the goods bona fide. It would not necessarily imply any swindling on the part of the consignee?

A.—The consignee has ordered certain goods from the merchant and he is aware that the goods have arrived at the station, that he has got to pay for them and then only take delivery of the same. If on the other hand he simply signs any indemnity bond, and takes delivery, of the goods, it certainly amounts to fraud and criminal intention on his part, and so he is liable for criminal prosecution. Moreover we have got certain checks to see whether the consignee takes delivery of the goods. We wait for three or four days for the goods to reach the other station and watch whether any dodge is being played by him. If after a reasonable time the goods are not taken delivery of, we wire to the agent of the Imperial Bank. The Agent of the Imperial Bank sends a notice to that party asking him whether he is going to take delivery of the goods by paying us the money. If the party knowing all these, still executes an indemnity bond for taking delivery of the goods, he is certainly liable to criminal prosecution.

Q.—You said that you obtain a pro-note executed by the merchant in your favour. Is it in the form of a bill?

A.—It is a demand pro-note. It simply runs thus—“On demand or order, please pay Mr. Ramaswami Ayyar the sum of Rs. 5,000 only for value received in cash . . . etc.” It can be called a bill also.

Q.—What is the rate of interest that you charge on your advance?

A.—There is nothing of that sort. We charge only a small commission, i.e., $\frac{1}{2}$ per cent.

Q.—If there is any delay in paying the bill, do you not charge him any interest?

A.—Whatever I have to pay to the Imperial Bank, during the period of delay, I collect it from the party. The rate of interest generally charged by the Imperial Bank is 8 to 9 per cent.

Q.—You say that the rate of interest depends on the Imperial Bank rate?

A.—Yes.

Q.—You receive the railway receipt and the bill. You send the bill on to the Imperial Bank and pay the consignor here. You have to wait until the consignee actually pays, is that so?

A.—No. I have credit with the Imperial Bank and I discount the bill with them.

Q.—Then the bill is sent to the local branch of the Imperial Bank for collection. If there is no Imperial Bank in that place, what will you do?

A.—Then it will be sent to the nearest Imperial Bank.

Q.—Do you not discount it with other banks? Or is it with the Imperial Bank only?

A.—We do business mostly with the Imperial Bank, but with other banks also we do business.

Q.—You mean the Multani bankers?

A.—Yes, Multani bankers, Chetti bankers and Brahman bankers.

Q.—Is there much business done by Brahmin bankers?

A.—Recently their business too has fallen owing to the Imperial Bank having opened branches all over the country.

Q.—Who is doing the bulk of the business? Is it the Brahman bankers, or Multanis or the Nattukottai Chettis?

A.—I believe every banker does his own share of business. Wherever we go we have got all these classes of bankers, and each is doing his business in his own way.

Q.—You do business only with the firms that are known to you locally?

A.—Yes.

Q.—What about the discounting of hundis?

A.—It is going on on a large scale.

Q.—Do you carry out considerable amount of business yourself?

A.—Considerable, so far as I am concerned. I think I am doing business to the extent of a lakh of rupees every month.

Q.—What is the nature of that business?

A.—Mostly hundi business only. We also draw on stamp paper, bearing a certain date, generally three months' date.

Q.—Are they not on sight?

A.—Very rarely. This is for the purpose of accommodating businessmen.

Q.—What is the security you demand from them?

A.—So far as I am concerned, the security that I demand is only personal security.

Q.—Are yours accommodation hundis?

A.—No. This is not an accommodation hundi. It is a hundi based on specific transaction taking only personal security.

Q.—Is there no trade bill behind it?

A.—Nothing. There are a few instances on which we take a general security from the party with the promise of accommodating with him up to a certain limit. These bills may sometimes be covered by the amount, but generally speaking that is not the rule. That is only in the case of parties whom we think are not sufficiently sound.

Q.—Are those Mudathi hundis?

A.—That term is not known to us.

Q.—What do you then call your hundis?

A.—We simply call them ordinary hundis.

Q.—How many kinds of hundis are there in this market?

A.—There are many kinds of hundis.

Q.—Will not the ordinary hundis bear interest?

A.—No. There is no custom of charging interest.

Q.—Therefore the amount payable is the amount specified. If you want the amount at an early date you should have to discount it, is that so?

A.—Yes. Ours is something like the Mudathi hundi.

Q.—Have you ever come across with any Chetti hundis? Do you get any of them discounted?

A.—Yes, a good many of them are coming in daily from our customers. We charge some commission in all cases.

Q.—How do you discount a nadapu hundi? What is a nadapu hundi?

A.—The nadapu hundi is a hundi in which there is a specific amount chargeable with interest at the nadapu rate. There is also a certain date mentioned from which it bears interest. It is most difficult to discount them.

Q.—Do you know what is the rate of interest generally charged on nadapu hundis?

A.—It will be about the Madras bank rate, that is 9 to 9½ per cent.

Q.—What is the rate of interest you charge on the hundis?

A.—I charge 6 per cent, where I do not know the rate of interest. If I know the rate of interest I will charge only 4 annas for Rs. 100. Invariably I find that the amounts of these hundis are paid to me the next day in Madras on presentation.

Q.—These are usance hundis?

A.—The nadapu hundi invariably bears an interest previous to a particular date which is previous to the date he brings it to me. It may also sometimes happen that he brings the hundi immediately after it was drawn.

Q.—You do not discount such hundis at all?

A.—I do.

Q.—How can you discount the hundi after it is due?

A.—There is no due date in it at all.

Mr. Gopala Menon: Suppose it is drawn 90 days' sight or 90 days' date, how do you charge interest?

A.—We charge at the rate of 15 per cent.

Q.—The thing is this. There is a hundi which says that the amount will be paid in three months from date together with interest at the nadapu rate? That bill comes to you to be discounted. You only know the amount due on that date is the amount of the bill plus interest at a varying rate. How can you discount such a bill in which you do not know the actual amount due?

A.—I beg to be excused. I do not take such hundis. The nadapu hundi I meant was a sight hundi drawn by an individual.

Q.—I understand in Madura that the nadapu hundis are drawn at 30 days' sight.

A.—We know that the rate of interest in Madras will vary only between 7½ per cent and 10¼ per cent. It can never vary beyond these limits; neither lower nor higher so that when you do it you get a small commission. I do not do all such business.

Q.—Would you deal with the matter by taking a little more?

A.—I take something more for the risks I take.

The Chairman: Do you not think that documents of that sort ought to be discouraged?

A.—Personally I do not see why.

Q.—Will a document of that sort command credit if it was drawn in Chettinad and is to be discounted in the Punjab?

A.—I do not know how it will be because the person who draws it is not known nor the person on whom it is drawn.

Q.—Would it not facilitate business if hundis were definitely standardised for the whole of India?

A.—These are the old banking system and they ought to be abolished, but I do not see why there is so much of awkwardness about it.

Q.—It is a local peculiarity?

A.—Yes, a bit queer.

Q.—It is a type of hundi that is drawn only by the Chettis?

A.—Yes.

Q.—And it depends on the rate of interest that is fixed only by them?

A.—They alone know the rate of interest.

Q.—Your suggestions is it might possibly facilitate business generally if hundis were standardised.

A.—Yes, there is nothing wrong about it.

Mr. Hameed Sultan Maricair: So the only business you are doing is the hundi business?

A.—No. I advance money on pro-notes also.

Q.—Single signatures or double signatures?

A.—On single signatures, double signatures and sometimes on the signature of three persons even.

Q.—What is your rate?

A.—12 per cent. If the Imperial Bank rate is 11 per cent or 9 per cent then my rate will be a trifle more.

Q.—Do you know that some of the Nattukottai Chettis are doing this: they write a certain rate of interest on pro-notes, say 36 per cent with the understanding that if it is paid before or on the stipulated date only 18 per cent will be collected. Are you aware of such things here?

A.—No. I am not aware of such things.

Q.—Nor are you doing like that?

A.—No.

Q.—Your maximum rate of interest is only 12 per cent?

A.—Yes, but if the bank rate goes up to 9 per cent or 11 per cent then my rate will also be higher. But in no case will it be higher than 15 per cent.

Q.—Are you lending money to local petty shopkeepers and merchants?

A.—I am lending to merchants big and small who are very respectable.

Q.—On what?

A.—On pro-notes and hundis.

Q.—You are lending for a longer time?

A.—What I do is this: when I find that the man does not pay me on the due date then I convert the demand pro-note into a hundi.

Q.—Then he will have to pay on the due date?

A.—Yes, because on the hundi the due date will be mentioned.

Q.—Suppose he is not able to meet the hundi on the due date?

A.—Among merchants in this place a hundi is a more dreadful document than a pro-note. If it is not paid on the due date the party knows that it will be protested and a protest means his ruination in the town. So hundis are more dreadful and are only very rarely not paid on the due date.

Q.—Are there many Maitani and Marwari bankers here?

A.—There are Maitanis but not many Marwaris.

Q.—What is their rate of interest?

A.—Maitanis charge from 10 annas upwards to 12 per cent.

Q.—It will not go more than that?

A.—Not to the best of my knowledge.

Q.—What will be the net yield on your capital?

A.—About 12 per cent.

Mr. Gopala Menon: What is the name of your firm?

A.—Messrs. Ramaswamy Iyer and Brothers.

Q.—What do you style it?

A.—Bankers.

Q.—Do you do business on your own capital?

A.—Yes.

Q.—Do you receive any deposits?

A.—Very rarely, except when intimate friends and relatives come and request me to keep their money with me.

Q.—What amount of deposits have you at present?

A.—Rs. 10,000 to Rs. 15,000.

Q.—You are not in the habit of taking deposits just like any other banker?

A.—I do not for the reason that I do not want to be troubled by anybody with regard to the deposits.

Q.—How long have your firm been working?

A.—For the last fifteen years.

Q.—What amount roughly has been invested?

A.—About Rs. 1 lakh.

Q.—What is the volume of your business, or your annual turnover?

A.—It is very big, there are days in which I transact even Rs. 50,000 business.

Q.—Roughly how much hundis you discount in a year and how much is transmitted from place to place?

A.—About Rs. 6 lakhs of each.

Q.—So you do Rs. 12 lakhs of business a year with a capital of Rs. 1 lakh. You do not also take deposits from the public?

A.—Yes.

Q.—What will be your working expenses, such as expenses of management, etc.?

A.—Only Rs. 40 per month.

Q.—Probably you are working yourselves?

A.—Yes.

Q.—Does the same apply to other bankers of your type in the city?

A.—Yes.

Q.—What will be their working expenses?

A.—The Maitanis do very much more business than I do. He does about Rs. 10 lakhs of business every month and his working expenses will be not more than Rs. 200 per month.

Q.—No indigenous banker spends more than Rs. 200 per month?

A.—Not more than Rs. 300 in any case.

Q.—That is if he has a turnover of Rs. 30 lakhs per month?

A.—Yes.

Q.—Is there no relationship between the money-lenders of your class and the other indigenous bankers such as the Multanis, the Nattukottai Chettis and others in the city?

A.—We have got constant relations with them, almost every day.

Q.—Is it in the way of taking loans?

A.—Yes, discounting hundis and accommodating each other.

Q.—You also borrow from day to day?

A.—Sometimes.

Q.—In that way there is a sort of relationship?

A.—We have constant relationship between us.

Q.—What is the relationship between the indigenous bankers, the Imperial Bank of India and the other joint-stock banks in the city?

A.—The Imperial Bank gives credit to certain specific people and those people enjoy that credit. I have also got a lot of transactions with the Imperial Bank but I do not borrow from them.

Q.—Have you no overdraft account with those banks?

A.—No overdraft with them nor any hundi accommodation. I have a current account with them and that is helpful to me, especially in this way that when I take document pro-notes to them they give me the money almost immediately. Perhaps that is a sort of accommodation.

Q.—Do they discount your bills only to the extent of the current account amount?

A.—No, it is out of all proportion to the amount in the current account. It is almost unlimited.

Q.—Are you satisfied with the accommodation you get from the Imperial Bank with regard to your dealings with them?

A.—I will thank you not to ask me for an answer on that subject.

Q.—Have you had any handicaps in your relations with other bankers here?

A.—Absolutely none.

Q.—Have you always been able to do business with them to your satisfaction?

A.—Yes, with anyone I wanted.

Q.—Can I take it that it is the same with other indigenous bankers like yourself in the town?

A.—Yes, but it depends on the position, credit and character of the person.

Q.—Suppose a small money-lender or banker is reported to be good. Is such an indigenous banker able to obtain sufficient accommodation from the other banks such as the Imperial Bank and the other joint-stock banks?

A.—It is so.

Q.—So you think there is relationship between the indigenous banker and the joint-stock banks and the Imperial Bank?

A.—Yes, there is relationship.

Q.—Have you been in any way helpful to these banks in places where there are no branches of those banks?

A.—You mean the Imperial Bank?

Q.—That and the joint-stock banks.

A.—We are not of great help to them, but they are helpful to us.

Q.—Are you not helpful to them in the financing of internal trade in the interior? Have they passed bills on to you for collection from the interior?

A.—Whenever they come across parties about whom they do not know anything and they have reasons to believe that we know about them then they write to us confidentially and we supply the information.

Q.—May I know the system that is adopted by the Imperial Bank and the other joint-stock banks in collecting money from places where they have no branches or where they have no agents?

A.—They intimate to the parties and the parties send through post or bring to the bank the money.

Q.—The party in that case has to incur the cost of remittance?

A.—Yes, if there is no other way of doing it.

Q.—What is the rate of interest you generally allow on deposits?

A.—6 per cent.

Q.—You say that you are only a money-lender with your own capital, but you discount hundis and transmit money from place to place. I ask you to give me your opinion as to whether such concerns may be called merely money-lenders only or bankers? You say that they do not take deposits?

A.—When I told you that I do not take deposits I meant that I do not take it in that way, but I take it in another form, by means of kuris.

Q.—That may be a sort of business which will help your constituents, but I do not think it is the proper function of a banker?

A.—I beg to be excused, I believe a chit or a kuri is one of the best means in which a banker can help himself as well as his constituents and do an amount of co-operative work amongst people.

Q.—I want you to give us your independent opinion in order to help this Committee. Can the name "banker" be properly applied to them?

A.—I would honestly style them as bankers.

Q.—Apart from conducting kuris do you deal in any produce? *

A.—Very little.

Q.—Occasionally you do it, I suppose?

A.—There is nothing preventing me from doing it.

Q.—Suppose you have capital lying idle with you. Will you do it?

A.—I do not think that a banker should allow himself to be diverted like that.

Q.—Do you think that if a banker speculates in the purchase and sale of goods it is beneficial to him?

A.—I do not think it is good.

Q.—If there is no restriction imposed upon him do you not think there may be temptation to do it? Is it not necessary that a banker must entirely confine himself to banking business?

A.—That is my honest belief.

Q.—Should not bankers take deposits?

A.—I do not take it because I do not want liabilities to mount up against me.

Q.—I am asking this just to know whether they should be called banks or merely as money-lenders?

A.—It is not merely money-lending.

Q.—Do you get your accounts audited at all?

A.—Mine is a private bank and I do not get my books audited.

Q.—Do you think that bankers should publish their audited balance sheet?

A.—I think they ought to do it.

Q.—Suppose the indigenous bankers are going to be organized and be brought under a board of registration, will you join such a board?

A.—Certainly. I have absolutely no objection to it.

Q.—You are not auditing your accounts now. You will then have to get your accounts audited?

A.—I will certainly do it.

Q.—Your audited balance sheet will then be published in the newspapers?

A.—It can even go to the other end of the earth.

Q.—Suppose there is a restriction as to the minimum capital also. You are prepared for that also?

A.—Yes.

Q.—You are financing trade by discounting hundis and advancing money on pro-notes?

A.—Yes.

Q.—Is there no system of inland bills of exchange?

A.—No.

Q.—Is there much competition among the indigenous bankers in discounting hundis?

A.—No. It is the gold loan banks that are very numerous here.

Q.—Have you got any reserve fund?

A.—I have earmarked some amount for that purpose.

Q.—Suppose you change your mind and take deposits freely. I would like to know from your experience as a banker for the last 15 years what proportion of reserve you should have to keep to the amount of deposits you take?

A.—I think it should be 20 per cent.

Q.—Is it against deposits only?

A.—All told.

Q.—What are the negotiable instruments on which you advance money for trade purposes?

A.—What we call the demand pro-note system, and hundis.

Q.—No bills of exchange?

A.—I do not issue the bills of exchange but I discount any number of them.

Q.—Do you issue cheque books?

A.—Oh, yes.

Q.—You allow your customers to draw on you by cheques?

A.—Yes.

Q.—Do you think that the hundis are playing an important part in the commercial transactions of the city?

A.—That is a thing which plays the most important part in the town of Calicut.

Q.—And cheques?

A.—One of my chief businesses is discounting cheques. In the afternoons the customers of the bank cannot have their cheques cashed because the banks will be closed. In such cases if the cheques come to me I take a small discount and I pay the money.

Q.—Do you pay the money without any surety?

A.—There is no necessity for that. We know the persons with whom we have such transactions.

Q.—In discounting do you charge anything?

A.—Yes.

Q.—How much?

A.—An anna or two for one hundred rupees.

The Chairman : I take it that you would be opposed to the suggestion that the Imperial Bank and the other banks should remain open till late in the evening?

A.—No. Their business is over by the afternoon.

Mr. Gopala Menon : Suppose the Imperial Bank or the other joint-stock banks like the Nedungadi Bank, for instance, work in the evening hours for the purpose of accommodating those people who could not go to the bank during the present office hours. Would you object to that?

A.—Absolutely not.

Q.—Do you think that in the Calicut City there is much business in that way?

A.—Oh, yes. It is being done now and I am doing that.

Q.—Who are the customers generally?

A.—A great many people who have issued cheques.

Q.—You discount the cheques after office hours?

A.—Yes. That is one of my regular lines of business.

Q.—So, do you think that there is any necessity for some of these banks to keep their doors open in the evening hours not only for the purpose of accommodating their own customers but also for the purpose of discounting the cheques of other people?

A.—That will create an amount of trouble which I suppose you may not be able to meet easily.

Q.—How?

A.—If, for instance, a man brings a cheque for Rs. 5,000 the bank may not have cash with it.

Q.—Such men will go to the banks during office hours. I want to know why there should not be evening banks working for the smaller men who could not find the time to go to the banks during the office hours?

A.—Suppose fifty cheques, each for Rs. 100, are issued. That certainly will create difficulties. I am only telling you how an arrangement like that will create a deal of difficulties.

Q.—But at the same time you will be getting deposits also. I am speaking from the point of view of the people who could not go to the bank during the office hours.

A.—If there are such banks they may be helpful to some.

Q.—Do you lend money on open accounts without the intervention of these negotiable instruments? Suppose a customer comes to you and says "Give me a thousand rupees." Do you lend him that amount by merely debiting the amount in the account?

A.—I ask him simply to sign my account book and I give him the money.

Q.—For what period do you lend him?

A.—No time is fixed. He can pay at any time and I can demand the amount from him at any time.

Q.—Do you encourage the habit of taking a hundi from that man and discount it with other people in order that you may get more money to put into your business?

A.—The man takes a thousand rupees from me and promises to pay on a certain date. At the end of the period agreed upon I ask him whether he will pay me the money. If he says that he has no money to pay me on the due date, I ask him whether he has any objection to converting it into a hundi and he will have no objection.

Q.—And with that you carry on your transaction?

A.—That is my business. Only if he does not honour on the due date I will have difficulty.

Q.—You do not object to that sort of financing?

A.—No. It helps him and it helps me.

Q.—Suppose the man is unable to pay on the due date. How will you meet the hundi?

A.—I will meet it myself to save my honour. Strict business would mean that if the man fails to pay on the due date I should run him through the gauntlet immediately. But there is the humanity in us and sometimes we give him an extension or if he is only able to pay Rs. 800 we receive the amount and allow him some time, though strict business would demand that the bill should be protested and that the money should be realized or the man should be thrown out of the pale of trade.

Q.—Apart from all that would it not help you in your business dealings, if you take a hundi, discount it and get cash against it and then again lend the money?

A.—I would insist that in 99 cases out of a hundred the man pays on the due date.

Q.—You may insist on that. But my point is whether you cannot get money by discounting it and lend it again?

A.—Yes, that is what I am doing.

Q.—Has the cheque habit increased after the abolition of the duty on cheques?

A.—My answer may not quite help you. It is this way. So far as Calicut is concerned no doubt there is a tendency for the cheque habit to increase. I think it has considerably increased after the dropping of the anna stamp. I think it ought to be continued.

Q.—Are your cheques issued in the vernacular or in English?

A.—I invariably issue the cheques in English.

Q.—Do all your customers issue cheques in the vernacular or in English?

A.—Most of them use the English cheques but there are some who also use the vernacular.

Q.—Has there been any difficulty with regard to the vernacular cheques?

A.—No.

Q.—You discount both dharsan hundis and usance hundis. Are they drawn by the merchants or are they drawn by the private people?

A.—They are drawn only by the merchants.

Q.—Do the commission agents draw hundis?

A.—Yes.

Q.—What is the security you take in the case of a hundi drawn by a commission agent for goods purchased and despatched to the mufassal merchants?

A.—If he does that business he ought to give me a railway receipt.

Q.—What are the instruments relating to ownership of goods and produce on which you advance money?

A.—The railway receipt is the only one on which we make an advance.

Q.—Do you advance on dock warrants?

A.—There are a very few cases in which I took a security bond where the man to whom I make the advance states that he will pay me that amount.

Q.—Is it something like a *varthumana pathram*?

A.—Yes. Where railway receipts are taken nothing else is necessary.

Q.—You advance money on railway receipts along with security bonds?

A.—Yes.

Q.—Not on bills of lading?

A.—On bills of lading also.

Q.—On warehouse receipts?

A.—No.

Q.—Do you advance money on insurance policy?

A.—I have done so in a very few cases.

Q.—Have you advanced money on delivery orders of merchants for goods lying in the godowns and take delivery of the goods?

A.—I have not done it except in two cases.

Q.—Are not the Multanis doing that sort of business in the city?

A.—I think they are doing.

Q.—What I want to know is whether you have experienced any difficulty in financing on these documents?

A.—It is after all the honesty and the standing of the man that counts if we are to advance money to him.

Q.—The man may be honest and your intentions may be all right but something might creep in between the time of delivery and the payment of cash. Do you not think so?

A.—I have not experienced any such difficulty.

Q.—In regard to the railway receipts have you heard of any case in which the man who obtained an advance on the railway receipt got the goods from the railway company on the execution of an indemnity bond?

A.—None that I know of.

Q.—Do you not think that in order to protect the bankers the railway companies should be made to recognize the bankers' lien on these goods before the actual delivery?

A.—That is absolutely necessary.

Q.—So you want the bankers to be protected in that way?

A.—Yes.

Q.—The railway company should recognize the bankers' lien on those goods before making the actual delivery?

A.—We actually rely upon that thing now and hence we advance money on railway receipts.

Q.—Now railway companies can deliver goods by taking an indemnity bond even if bankers have a lien upon those goods?

A.—They can do it but they ought not to do it.

Q.—You therefore think that the bankers should be protected in that way in order that they may do things freely?

A.—That is very important.

Q.—Have you experienced any handicaps in accepting railway receipts as titles to property?

A.—So far I have experienced none.

Q.—As a banker do you want the various risk note forms to be modified in order that you may get a firmer hold on the goods?

A.—I want that the authorities should be made responsible for loss of any description that might take place during the transmission.

Q.—But is it not the consigner who goes to the railway and asks for a risk form like the C form?

A.—I want that the railway authorities should insist upon the man paying the full value and then take the responsibility.

Q.—Will not the freight charges be higher then?

A.—The charges may be greater, but here there will not be that cheating which in the other case exists. In no case we had any such difficulty, but the difficulties might occur at any time. To prevent such a possibility it may be necessary and I think that it will be better if the railway companies would come to our help in this matter.

Q.—You think that the question must be enquired into?

A.—Oh, yes.

Q.—Have you had at any time surplus funds?

A.—Only for about a month or so but not otherwise.

Q.—On such occasions what do you do with your cash?

A.—We leave the amount in one of the banks, either the Imperial Bank or the Nedungadi Bank.

Q.—You do not lend it out of the district?

A.—No.

Q.—Have you been able always to meet all the demands that were made upon you by good customers? Have you had at any time to refuse?

A.—I have not had to refuse in all cases. If there were cases in which I had refused it was not because that I was short of money but because I was not satisfied with the soundness of the advances.

Q.—Have you experienced any competition between the indigenous bankers and the joint-stock banks?

A.—I think that they are doing independent lines of business.

Q.—What I want to know is whether there is a cutting of the rates?

A.—There was a cutting of the rate but now it has ceased to exist because the Multanis have formed into a syndicate. But before that there was an unhealthy competition.

Q.—I want to know whether it exists as between the joint-stock banks and the Multanis?

A.—The Multanis stand aloof and they happen to be the people who have the largest volume of business enjoying as they do credit to the extent of Rs. 20 lakhs with the Imperial Bank and so among themselves they form a syndicate.

Q.—Suppose it is arranged that the indigenous bankers should charge only a certain percentage over the bank rate, do you think that it would be successful?

A.—It will be eminently satisfactory and immensely useful.

Q.—You have no objection to that?

A.—Absolutely none.

Q.—What extra percentage over the bank rate do you charge on your loans?

A.—It will be 6 per cent above the bank rate. That is because I do not have any accommodation with the Imperial Bank. The Imperial Bank charges the Multani 8 per cent and he charges us 9 per cent and naturally therefore our rate is 12 per cent or 6 per cent over the Imperial Bank rate.

Q.—You have no overdraft with the Imperial Bank?

A.—No.

Q.—Therefore you take from the Multanis at 3 per cent above the bank rate and you charge 3 per cent over that?

A.—When I had credit with the Imperial Bank I charged only 3 per cent above the rate at which the bank lent to me.

Q.—Have you any suggestions to make for improving the method of organization for lending or borrowing so far as the indigenous bankers are concerned?

A.—If every indigenous banker will publish his accounts and allow them to be audited, his status and position will be known very well and the bigger banks will be able to accommodate him to the extent his business will admit.

Q.—And they can lend at a certain fixed rate above the ordinary lending rate of the money market?

A.—Yes, and also allow them a reasonable rate of interest. In the case of the Imperial Bank it does charge the same rate for all people.

Q.—Does it not depend upon the status and the financial standing of the party?

A.—I do not believe in that. I know of cases of people with very large resources not being charged the same rate which others of the same resources are charged. I do not think it goes by the status. It goes I think only by the volume of business they have.

Q.—Do you not know that the Multanis are carrying on an all-India business and that therefore unless the Imperial Bank gives them a special rate do you think that the Imperial Bank will be able to retain their custom?

A.—I know the whole reason very well. But yet there exists now a difference of 2 per cent and it may be made a little less.

Q.—Your opinion is that there should be an arrangement brought into existence by which the indigenous and other bankers should make their advances at a certain fixed percentage above the Imperial Bank rate to regularize the lending rate in the money market?

A.—Yes.

(The witness then withdrew.)

Wednesday, 12th February 1930.

CALICUT.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur HAMEED SULTAN MARICAIR SABIB Bahadur.

M.R.Ry. M. LAKSHMANAN CHETTIYAR Avargal,
Representative, A.L.A.R. Bank, Calicut.

Oral evidence.

The Chairman: You are the representative of the A. L. A. R. Bank?

A.—Yes.

Mr. Hameed Sultan Maricair: What kind of business are you doing?

A.—We lend on pro-notes and we are also conducting kuris.

Q.—What is the amount of your capital?

A.—Rupees 1½ lakhs transactions. Our capital is only Rs. 21,000.

Q.—What is the rate of interest that you charge on loans?

A.—The rate ranges from 12 annas to Rs. 1-4-0 a month.

Q.—Rupees 1-4-0 is the maximum rate?

A.—Yes, that is for the public. But in the kuri system the rate is Re. 1 or 12 per cent.

Q.—What is the rate of interest for money lent on pro-notes and what is the rate of interest that is written on the pro-note?

A.—I do not know the Malayalam language. The pro-notes are written in Malayalam and the rate is Rs. 1-4-0 or 15 per cent.

Q.—In Coimbatore we were told that the practice is to give one rate in the pro-note and charge another. Is there such a case here also?

A.—We write only the actual rate in the pro-note.

Q.—Are the loans repaid in time?

A.—It is only in some cases that we have to go to the court and get a decree and all that.

Q.—What is the percentage of transactions that lead to the court?

A.—I cannot say.

Q.—Do you lend on mortgage?

A.—About Rs. 50,000 are outstanding having been lent on mortgages and even the properties have not been got. Everything is in the decree stage. So we do not now give any more loans on mortgage of lands. But we give on the pledge of jewellery.

Q.—How many Nattukottai Chettis are there in Calicut?

A.—Only the A. L. A. R. Bank.

Q.—Is the kandu system prevalent here?

A.—No, except in the case of the A. L. A. R. Bank who as the proprietors of the Kallai mills give money to the coolies working in the mills only on monthly payment system.

Q.—How many coolies are there?

A.—There are about a thousand coolies.

Q.—Do you know anything about the kandu system prevailing in the Coimbatore district. There they write in the pro-note 36 per cent interest but get only 18 per cent?

A.—I have no idea of that system prevailing here. I am not doing that business.

Mr. Gopala Menon: You are running chits in the town of Calicut?

A.—Yes.

Q.—What kind of chits?

A.—There are five hundred chits and the value for each chit is Rs. 5.

Q.—How many chits do you actually draw?

A.—Even though there are 500 people we draw only 300 chits.

Q.—Monthly drawn?

A.—Yes.

Q.—You draw only 300?

A.—Some people fall in arrears and they will get it in the end the sum they have already paid.

Q.—What is the name of that kuri?

A.—The prize kuri.

Q.—You say that there are only three hundred chitholders paying monthly five rupees and that fifty chits are drawn. After fifty instalments do you draw chits or only make settlements afterwards?

A.—Only fifty chits are drawn. Afterwards we pay to other people and settle the accounts.

The Chairman: What is the value of the chit?

A.—Till the fiftieth month we pay each man Rs. 250.

Q.—You pay them only what they have actually paid?

A.—In addition to what they have paid we give them another three rupees.

Q.—You pay back Rs. 253?

A.—Yes.

Q.—The last man in the forty-ninth month gets only Rs. 250?

A.—Out of that sum he has to pay the amount for that month.

Mr. Gopala Menon: How do you pay to the rest of the people after fifty months?

A.—To the remaining people we pay according to their convenience. Generally we give them daily.

The Chairman: Do you give them daily?

A.—When they come and ask us we pay.

Q.—You get Rs. 2,500. Out of that you pay only Rs. 250. What do you do with the remainder?

A.—That money is put into our bank.

Q.—You are earning interest upon it?

A.—Yes.

Mr. Gopala Menon: Who started this?

A.—I do not know.

Q.—Are many people doing this?

A.—I do not know.

Q.—You run only this kind of chit?

A.—I have no experience of other chits. I cannot say anything about it.

The Chairman: How many chits are you running at the present day?

A.—Only one; even though there are five hundred members only three hundred people pay regularly.

Q.—Rupees 2,500 is collected out of which Rs. 250 is paid to the winner and the other is put into the bank and it carries an interest?

A.—Yes.

Q.—You are taking the interest for yourselves?

A.—Yes.

Q.—To which mill coolies are you giving on kandu system?

A.—We give to coolies employed in the Malabar Spinning and Weaving Company at Kallai. Mr. A. L. A. R. Somasundaram Chettiyar is the proprietor.

Q.—Do you give them on kandu system?

A.—We give on two joint signatures.

Q.—You are lending money to the coolies and deducting money from the salary?

A.—Yes, with their permission.

Q.—Why do you lend them?

A.—For their demands.

Q.—For what purpose?

A.—For their urgent necessity.

Q.—You are lending Rs. 90 and taking a pro-note for Rs. 100?

A.—No. We pay to the coolies a sum of Rs. 25 or Rs. 30 only.

Q.—What is the rate?

A.—One rupee and four annas; 15 per cent.

Q.—What exactly happens?

A.—He writes a pro-note and at the end of the month he will repay a small sum.

Q.—Is that kandu system?

A.—Yes; money is recovered only monthly.

Q.—Do you take interest while paying money?

A.—We do not deduct anything as interest while paying the amount. We pay the actual amount and collect the principal with interest in the end.

Q.—What rate per cent?

A.—15 per cent.

Q.—Then why do you refer to the kandu system?

A.—I know nothing about kandu system.

Q.—Have you got credit with A. L. A. R. Bank at Madras?

A.—No. The Madras office has no connexion with this office.

Q.—Are you trading in that vilasam?

A.—Yes. A. L. A. R. firm in Madras gets 75 per cent of the profits and Somasundaram Chetti gets 25 per cent of the profits.

(The witness then withdrew.)

Wednesday, 12th February 1930.

CALICUT.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. C. GOPALA MENON, M.L.C.
 Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.
 Khan Bahadur HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.Ry. M. C. MADHAVAN Avargal, Honorary Magistrate,
 Cannanore.

Oral evidence.*

The Chairman: Mr. Madhavan, what is your line of business?

A.—Dry fish and fish manure and also fish oil.

Q.—You are working on your own capital?

A.—I am working on my own capital which is about Rs. 200.

Q.—You advance money to fishermen?

A.—Yes.

Q.—On what security do you advance that money?

A.—On the mortgage of their boats and nets.

Q.—Is that mortgage of any use?

A.—If they mortgage their boats and nets they should sell all their fish to me alone.

Q.—How can you enforce the security?

A.—I can attach the boats and nets.

Q.—What will be the value of the boat?

A.—Two boats and nets will be valued at Rs. 2,000.

Q.—What will be the value of the net?

A.—There will be five or six nets for a boat and there are nets of different varieties.

Q.—How can you get the money back?

A.—If there is no catch of fish I shall have to wait.

Q.—Are these fishermen much in debt?

A.—Most of them are in debt. Even we merchants are also involved in debt.

Q.—To whom?

A.—For doing this business we will not have enough money and we get the money from the hundi merchants at 24 per cent, 36 per cent and sometimes even 48 per cent interest.

Q.—For what purposes?

A.—My place of business is Cannanore, but suppose I hear that there is a good catch of fish at Tellicherry then I at once go to Tellicherry to purchase that. I do not know the fishermen there and I can only purchase the fish for cash and for that I may want money. Hence I am obliged to borrow from these hundi merchants.

Q.—From whom do you borrow?

A.—There are hundi merchants and I borrow from them.

Q.—Are they Multanis?

A.—Multanis and Mappillas.

Q.—On what security?

A.—Personally I have a credit with a Multani to the extent of Rupees 1,600. It is purely personal credit.

Q.—What form does it take?

A.—I sign a hundi paper for the full amount and get from him the balance after deducting three months' interest in advance. Suppose I execute a hundi for Rs. 1,500. Then I get Rs. 1,500 less the interest on that amount at the stipulated rate for three months.

The Chairman: How is it done?

A.—He first deducts the interest for three months but the hundi is drawn for the full amount.

Q.—Is it a pro-note or a hundi?

A.—It is a hundi.

Mr. Gopala Menon: Is it written on hundi paper?

A.—Yes. Like other business transactions we are unable to get any advance from the banks on the railway receipt or the bill of lading?

The Chairman: You say that the money-lender advances money at anything up to 48 per cent interest. Does the hundi state the interest?

A.—No.

Q.—You promise to pay the money?

A.—Yes.

Q.—If you do not pay what happens?

A.—The hundi executed by us will be discounted in the bank with which they have transactions and we will get previous notice to the effect that we should honour the hundi on the due date. If I fail to pay on the due date, the Multani will pay the amount and take action against me.

Mr. Gopala Menon: Do you renew the hundis in such cases?

A.—Yes, we go to the Multani and ask him for an extension of time.

The Chairman: Do you pay interest on that also?

A.—Yes. Here also as in the original hundi the interest for three months is deducted in advance.

Q.—How is the fisherman financed?

A.—In order to secure supplies of fish I go to the fisherman boatowner and give him Rs. 200 in advance and ask him to confine his business to me alone and on this amount I receive no interest at all.

Q.—He sells all the fish to you?

A.—Not all. He only sells those fish which can be exported to Colombo.

Mr. Gopala Menon: Is that a big business by itself?

A.—Yes.

Q.—What is the quantity of fish you dry and export to Colombo?

A.—I cannot give a definite answer. It depends all on the catches.

Q.—How many fishermen are there of the kind who export fish to Colombo?

A.—About 50 to 60.

The Chairman: You are advancing money to the fishermen to give a certain part of the catch to you. Where does he sell the rest?

A.—He can sell that anywhere he likes.

Q.—To whom does he sell?

A.—In the fish-curing yards the ticket-holders are the fishwomen and they go and purchase the fish. But they do not buy the fish directly from the fishermen. There is the middleman between the fishermen and the fishwomen ticket-holders in the fish-curing yards. That middleman gets one rupee for the supply of fish for Rs. 10. The middleman purchases the fish from the fisherman and delivers it to these womenfolk.

Mr. Muniswami Nayudu: Who gives that money?

A.—The fishwomen.

The Chairman: Does the middleman give advances to the fishermen?

A.—No. The middleman must always keep with him at least Rs. 200 in order to purchase the fish and the fish is sold on three days' credit to the fishwomen. The middleman is able to get the money from the womenfolk only three days after the delivery of the fish. To ensure the supply of the fish by the fisherman the middleman has to keep at least a sum of Rs. 200 with him to finance the business.

Q.—He buys for cash from the fisherman?

A.—Yes.

Q.—The fishwoman buys on credit?

A.—Yes, for three days' credit.

Q.—Who is this fishwoman? Is she the fisherman's wife?

A.—She is a ticket-holder in the fish-curing yard.

Q.—Do their husbands go and catch fish?

A.—Yes, their husbands also catch fish. They go with their own boats if they have their own, or work in other men's boats for which they get a proportion of the daily catches.

Q.—Why?

A.—It is because the middleman pays cash to the fisherman and gives the fish on credit to the fishwoman.

Q.—The middleman gets 10 per cent on the money he has invested for three days?

A.—Yes. The maximum period of credit allowed for the payment by the fishwoman is one week.

Mr. Gopala Menon: What profit do these females get out of these transactions?

A.—After meeting all the interest and other charges they hardly make any profit on the transactions. But that is their profession and they are carrying on the trade.

Q.—Are they not taking a great risk in lending money to the females?

A.—They are charging 10 per cent for three days.

The Chairman: What are the females doing?

A.—The curing is done by the females.

Q.—Where do they cure it?

A.—They cure fish only in the fish-curing yard.

Q.—Under the supervision of the Fisheries Department?

A.—Yes.

Q.—Does not that cost them much?

A.—On account of the increase in the price of salt it costs them more?

Q.—Any other charges besides salt?

A.—I do not want to say anything further.

Q.—Any rent to the ground?

A.—No rent.

Q.—Do the fish-curing yard deduct the profit on sales?

A.—There is a cess on the salt at the rate of two pies per maund. That is the remuneration for Government in allowing these people to use the sheds provided for them. They recover the value of the shed from the women like this.

Mr. Gopala Menon: Who thatches the shed afterwards?

A.—It is their business. They are given tickets and they can use the shed.

Q.—What fee is paid for it?

A.—Nothing. If any default is made in the way of utilising the salt for curing fish they will lose their ticket.

Mr. Muniswami Nayudu: Do the officers insist upon the women using the whole salt?

A.—They must use the whole quantity. They should not leave anything behind in the shed.

The Chairman: Why does the Sub-Inspector come in?

A.—To come and see whether they have used the whole salt and to see whether they have taken any quantity outside.

Q.—What is the objection?

A.—Because they are given 'duty free salt.' If the Sub-Inspector finds that the whole salt is not utilised for curing, he will cancel the licence.

Q.—Are there co-operative societies?

A.—Yes.

Q.—What are they doing?

A.—The boat-owners take loans from the co-operative societies. Whenever the boatmen find that they want extra money they borrow from people like us.

Q.—At what rate do they borrow from the money-lender?

A.—Suppose a boatowner takes a loan of Rs. 300. If he gets fish for Rs. 30, he has to pay Rs. 15 for the workmen varying in number from 12 to 16. Out of the remaining Rs. 15 he has to pay to the money-lender a sum equal to what one of his workman got on that day. This is what he has to pay for the loan of Rs. 300 he has taken, instead of the ordinary interest.

Q.—How will the capital then be liquidated?

A.—The capital remains there. He gets for interest a share of the profits from the workmen get as coolie.

Q.—Then how do the fishermen live?

A.—Three hundred rupees is made as advance to the boatmen.

Q.—Then how do the boatmen live?

A.—Half the amount is for the boatmen and half the amount for the fishermen.

Q.—To whom does the boat belong?

A.—They borrow money and make or purchase boats. They give a share to the money-lender as interest.

Q.—What for?

A.—As interest on the sum borrowed.

Q.—The boatowner is a different man?

A.—There are three parties.

Q.—Who is the third party?

A.—There are three parties, (1) the boatowner, (2) the fishermen (workmen) and (3) the money-lender.

Q.—What is the money-lender doing?

A.—He simply gives money to the boatowner.

Q.—Where does the money-lender come in?

A.—The boatowner has no money. The fisherman goes and gets fish. He is indebted to the boatowner.

Q.—Why?

A.—For his expenses.

Q.—But he sells the fish to somebody else?

A.—Yes; but half the share is paid to the boatowner.

Q.—Are there boatowners who are not in debts?

A.—There may be one out of one hundred.

Q.—Who is lending the money?

A.—They go and borrow from the people who have got money.

Q.—Are there Multanis?

A.—He goes to residents in the locality who have got spare cash and gets money from them. Most of them are fishermen and Mappillas.

Q.—At what rate?

A.—They don't pay any interest.

Q.—Interest in kind?

A.—Yes. They pay a sum equal to what one of their workmen gets a day instead of paying the ordinary interest.

Q.—Are you a boatowner?

A.—No.

Q.—You are advancing money to the fishermen and getting a share of the profits?

A.—Yes.

Q.—Do they lend money directly to the fishermen?

A.—They give money directly to the boatowner and not to the fishermen.

Q.—The boatowner first borrows money and he gives it to fishermen. He gets fish and sells it to somebody else?

A.—The boatowner takes hold of the fish and he sells. He takes half the amount and distributes the rest to the fishermen.

(The witness then withdrew.)

Thursday, 13th February 1930.

CALICUT.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAIR SAHIB Bahadur.

M.R.By. A. K. MENON Avargal, B.A., F.C.S., The Kerala Soap Factory, Calicut.

Oral evidence.*

The Chairman: You are interested in the Kerala Soap Factory?

A.—Yes.

Q.—Who is running it?

A.—The Government.

Q.—Are there any other private firms doing the same business?

A.—There are lots of small people in different parts of the district who manufacture very small quantities of soaps. Unfortunately their work is carried on not in a scientific or organized fashion. There is one factory in Calicut started by one of my assistants. But it is suffering from want of funds.

Q.—How are they financed?

A.—They borrow from the Multania.

Q.—At what rate?

A.—They borrow at 15, 20 and even 30 per cent.

Q.—Does it pay?

A.—The man who takes to the manufacture of soaps in a small way may make at the most only a meagre living out of it. But there are smaller places where the people are able to make from Rs. 20 to Rs. 30 a month. Generally nothing is done in an organized way, the quality of the soap is very poor and very adulterated with water and things like that.

Q.—What are the terms on which the Multani is financing these people?

A.—On the average he charges an interest of from 24 to 30 per cent.

Q.—What security does he get?

A.—Nothing. He takes some risk.

Q.—What oil do you use for making the soap?

A.—Coconut oil. That is the chief oil here.

Q.—Where do you get it from?

A.—There are a number of oil mills in Calicut and Cochin from where we get it.

Q.—Do you have to pay cash for it?

A.—We pay cash after receipt of goods; we have no difficulty about that. The private firms get it on credit. But generally the oil mills do not give much credit unless they know the firms somewhat. If they have been once cheated, never again will they allow credit. Further, they have got to pay for the materials such as copra and for that they require money and so they cannot afford to give long credit.

* For written evidence, vide pages 1223—1229, Vol. III.

Mr. Gopala Menon: In your memorandum on the coir industry you state that the financing is mostly done by the middlemen. May I know the system adopted in the matter of financing?

A.—These middlemen who are mostly Mappilla merchants advance to the petty dealers as well as to certain other classes of people money at a rate of interest ranging from 12 to 15 per cent. They go to the shopkeepers who collect the yarn and they advance money on that up to Rs. 100 and charge them an interest of 12 to 15 per cent. They also charge a commission of Rs. 2 per candy. Sometimes they get the materials from the shopkeeper without advancing any money. There are two or three people like that in Calicut.

Q.—Are they the middlemen called the brokers?

A.—Yes.

Q.—You say that they buy from the shopkeepers. May I know whether these people go into the interior for collecting yarn or are they brought to the city?

A.—Most of the shopkeepers themselves are dealers in coconuts. They give the husk to some of the women for soaking and sometimes they buy the fibre also.

Q.—Do they also give any advance in the shape of money?

A.—They give the husk to these women who in return bring the fibre or the yarn, for which they are paid in kind such as coconut oil, rice, or any other thing for their household requirements. They are paid very seldom in cash.

Q.—Is that sort of financing by exchange of commodities advantageous to the women?

A.—I do not think so, because they do not get the full value. If money were given to them they would be able to purchase their requirements at a cheaper rate than that charged by these shopkeeper.

Q.—Do you therefore think that they are played upon by the shopkeepers?

A.—Yes, that is my idea.

Q.—Is the quantity exported from Calicut port enormous?

A.—Yes.

Q.—Do these brokers go to the interior to get the materials?

A.—No. The customers are agents take the materials to the shop-keepers here.

Q.—What I want to know is whether these brokers advance money to them and take a contract?

A.—Yes, they do. In many cases they do like that and advance money up to Rs. 500, on which they charge interest at 12 to 15 per cent and also a commission of Rs. 2 per candy when they sell the yarn to the export houses.

Q.—In that way I believe the yarn is brought into the city from various places in Malabar?

A.—Yes.

Q.—I wish to know whether any of these shopkeepers sell direct to the export houses or is it always done through the brokers?

A.—It is always done through these brokers.

Q.—Then these export houses have got special brokers to go and make forward contracts for the supply of yarn?

A.—Yes.

Q.—Is there any guarantee on the part of these brokers to supply goods to the export houses at a particular time?

A.—The guarantee has reference to the supply of yarn at a particular time and it should be of a particular quality and there is reference also to the quantity.

Q.—Are they guaranteed brokers?

A.—Yes.

Q.—Are they the *del-credere* brokers to do this business for the export houses?

A.—Yes. These export houses give them about 50 per cent as advance so that they may help the smaller men,

Q.—Do you think whether it is possible to protect these brokers who are engaged in the coir industry and who supply to the shopkeepers from their not getting a full share of their value?

A.—In regard to that I think that the co-operative movement should come to their aid.

*Q.—Is there not a co-operative society working in that direction?

A.—They are just working a society and it is being developed. So far its progress has been slow but later on they have an idea of developing it in every village, by starting branches of the central society to advance money to the women, collect their produce and sell it for them.

Q.—You therefore think that this business is not now well organized?

A.—Yes, in the sense that the poor women who are the workers are not properly remunerated.

Q.—Have you any suggestions to make to organize this industry except through the co-operative society?

A.—It is an industry which should be taken up by the Government through the co-operative society. There is no other suggestion that I can think of.

Q.—What I mean is this. Can we have warehouses constructed and make these various small men engaged in the industry to bring their goods to the warehouses and keep them there and on which an advance to be made to them to tide over difficulties until a proper market is found out?

A.—Quite so. That is what is done by the middleman at present. Hence if we can find a substitute to the middleman, who will be more generous to the shopkeepers it will be better to the producers.

Q.—So, would it prove advantageous if the co-operative societies were to undertake the manufacture of coir, the supervision work, running of godowns, getting the things to the godowns, and afterwards selling them to the export houses?

A.—Certainly.

Q.—Instead of the co-operative societies actually undertaking the manufacture of the things, do you think that it is better for them to construct godowns, collect the materials from different sources and then sell to the export houses in order to protect the workers in the industry? I suppose that also could be done?

A.—Yes.

Q.—So you do not think any banks are rendering any help to these shopkeepers or to the small industrialists in this direction?

A.—No. It is only when the middlemen want to ship the consignments that the banks come to their help.

Q.—Are there various kinds of coir?

A.—There are different grades, the soaked quality which is the superior one and which comes from Badagara and Pandalayani, and the unsoaked variety which comes from Kadalundi. In regard to the latter the husk is not soaked and the quality is much inferior, thicker and rather dark. There is demand for both these qualities, and by looking at them the export houses know which is the inferior variety and which is the superior and the export houses grade these.

Q.—They are not, I take it, supplied to the export houses after being graded?

A.—No.

Q.—Who does the grading for the exporting houses?

A.—The middleman.

Q.—The middleman gets a profit in that way also?

A.—Yes.

Q.—If the preparation for the market is done prior to the sale through the middleman, do you not think that the workers in the industry would make a better profit?

A.—Yes. As it is, sometimes there is an opportunity for the middleman not to give the real price to the worker by saying that his yarn does not belong to the proper variety, so that if there is a separate agency which could sort out the various grades and give a price according to the grades, it will be a little better.

Q.—You think that could not be done in the godown, and therefore you want another agency to prepare the article for the market I suppose?

A.—That will be better.

Q.—Do you think that the co-operative societies could do that in addition to the work of taking the goods into the godowns?

A.—They could undertake that work also but that requires the services of a man who has the experience in sorting coir. This class of people is available in Calicut. Some of the people in the industry, belonging to the Thiya community, know all about the sorting and the co-operative societies can engage them on a reasonable salary in order to protect the workers in the industry to ensure their getting a fair share on the produce.

Q.—It is submitted by the District Co-operative Bank that with regard to the marketing conditions there is a difficulty of getting into touch with the foreign markets. Are you not aware that such information can be obtained through the High Commissioner or the Indian Trade Commissioner stationed in London?

A.—Yes.

Q.—What is the difficulty there referred to?

A.—We want more trade commissioners in places like Germany and France.

Q.—But till now it is managed through the Trade Commissioner in London who gets the information after corresponding with the mercantile houses in South Africa and other places?

A.—I do not think that anything has been done in the way of doing business in coir with the other places.

Q.—What I wish to know is whether any Indian exporter got into touch with the Trade Commissioner in London in that direction?

A.—I do not think that anybody has done so far.

Q.—Apart from the necessity of having more trade commissioners is it possible now for the exporters to get information through the Trade Commissioner in London?

A.—Yes.

Q.—We are much obliged to you for the other memorandum you have submitted on the urban investigation in the city of Calicut. Are you sure that none of these Indian-managed joint-stock banks are lending on landed security or house property?

A.—At present they are not doing it.

Q.—You say that there are different kinds of banks here, the Imperial Bank, the Indian-managed joint-stock banks and the exchange banks. Don't the two latter depend on the Imperial Bank for their final credit?

A.—No, I do not think so, because I know some of the Indian-managed joint-stock banks do not have anything to do with the Imperial Bank which may not lend money to them perhaps for some reason or other. I am not quite sure of that.

Q.—May I know on what generally the lending rate of other banks such as the Indian-managed joint-stock banks and the indigenous bankers depends in this city?

A.—For loans of course the interest ranges from 7 to 9 per cent and sometimes it goes to 12 per cent even. The Indian-managed joint-stock banks charge high.

Q.—May I know whether that rate has any relation to the Imperial Bank rate?

A.—It has nothing to do with that. They fix the rate according to the amount of the loans they give, the kind of persons to whom they give and the security offered.

Q.—You say that loans are given on perishables as well as on non-perishables?

A.—Loans are given only on non-perishables.

Q.—Whatcentage of advances are made on these non-perishables?

A.—From 50 to 80 per cent.

Q.—That will depend on the stability of the party I presume? You say that even 90 per cent is advanced. Is that correct?

A.—Yes. Security also counts.

Q.—Is it done by means of hundis or pro-notes?

A.—They have got a letter of agreement. I s done on that only and of course the money is advanced after the goods are taken into the godowns of the banks.

Q.—On the due date if the amount is not paid, you say that the goods will be sold in auction. But may I know whether the parties are not given an extension and a chance of paying the amount?

A.—It is not the practice now. It is not done always.

Q.—What is usually the percentage of advance made on coir and similar articles?

A.—40 to 50 per cent.

Q.—Do they accept any loose coir?

A.—No, they accept coir only if packed in bales.

Q.—With regard to these open and key loans, if it is an open loan do the parties leave the goods in the custody of the bank or do they keep the goods in their own hands?

A.—It will be in the custody of the export houses like Peirce, Leslie & Co.

Q.—How is the loan made by the bank when the goods are left in the custody of a third party?

A.—Of course they have got a certain amount of trust among themselves and the person who takes the money.

Q.—What is the margin of advance given in the case of an open loan?

A.—Somewhere about 50 per cent.

Q.—What is the margin in the case of key loans?

A.—Much more is advanced. Sometimes even 90 per cent is advanced.

Q.—Is it the practice for these banks to finance the industrial and commercial enterprises?

A.—They are financing a sort of industrial enterprise I should say.

Q.—That is manufacture of raw products into finished goods?

A.—Yes. Some kind of industry, the kind of industry that is carried on in this country.

Q.—Do you feel that there is lack of industrial finance for that purpose?

A.—Yes. There is a great lack of support.

Q.—Is it due to the fact that the yield of interest in other directions is greater than on investments in industrial undertakings?

A.—It is not exactly that. They are afraid of these enterprises because nothing definite has been done so far by these industries. Again they themselves are not experts in the line and they do not know what is happening in regard to these enterprises and hence it is that they are very much afraid to finance such industries.

Q.—Is it due to the shyness of capital flowing in that direction on account of the past misconduct on the part of the people who have run these industries?

A.—It is partly owing to that also. It is also owing to the fact that the banks are rather frightened of investing any amount on these industries.

Q.—Which banks? The banks we have got are commercial banks?

A.—The indigenous banks also there are.

Q.—Do you know whether the Imperial Bank is financing the industries to some extent only but not freely?

A.—It may be so.

Q.—You know that the exchange banks here are only to financing the produce of the country and do business in exchange?

A.—Yes.

Q.—And that the Indian-managed joint-stock banks have not got that special aptitude or special knowledge for financing these industries. Do you not therefore think that it is due to these three facts that the banks here are not freely advancing money for industrial enterprise?

A.—Yes, I am quite sure they are the reasons for it.

Q.—Do you at the same time admit that there is a necessity for industrial banks to be started for financing the industries of this country?

A.—There is a great necessity. If industrial banks will come and take up the financing of industries, many new industries can thrive in this country.

Q.—But do you not think that the lack of knowledge on the part of the people to finance the industries will stand in the way?

A.—I mean to say that the people are so much frightened of the failures in other places that they do not even look at any such proposition because they are so dead against it. They do not want to know who the people are that are going to run the industry and how the industry is going to be managed. They do not even give a listening. But I think that the indigenous banks might give industrial loans.

The Chairman: How could they?

A.—One of the banks is doing that.

Q.—For what term does it give loans?

A.—For six months. Within this period it is expected that some money will be made out of the business. If at the end of the six months the money is repaid, and there has not been much profit, money would be obtained from some other bank and it will be a sort of running capital. These banks do not finance the industries in the sense they ought to, that is, they do not provide the entire capital.

Q.—How can you expect any bank to give you loans if you have no security?

A.—There will be the buildings and the plants and machinery. On the security of these things the money can be advanced and that is what they are doing. Some banks advance money even on the security of the person.

Mr. Gopala Menon: You say you are training up men in soap manufacture. Have any of the trained men started soap manufacture independently?

A.—Three or four of them have done so.

Q.—Have they been inconvenienced for want of finance?

A.—Some of them have been.

Q.—Will it be of help if there are small industrial banks to finance these small industries?

A.—Of course, it will be of great help.

Q.—Are they able to get finance from the existing joint-stock banks or the Imperial Bank?

A.—Now they do not get anything. Unless they are able to produce sufficient security I do not think they can.

Q.—Do you say that they are unable to get any advance on the security of their stock-in-trade and their plant and their machinery?

A.—They do not get it now.

Q.—Don't you think that there is absolute necessity for industrial banks?

A.—I think that there is a great need for them.

The Chairman: What would be the functions of such an industrial bank?

A.—Suppose there is an expert in the line who can show a good return on the investment, the bank should help him to start such an industry.

Mr. Gopala Menon: A young man starts a soap industry and manages to find a co-surety. In the regular course of business do you think that he should seek for an advance from the industrial bank or from the commercial bank?

A.—I would suggest the industrial bank because it will be more in touch with the industrial concerns and will help them much better.

Q.—A commercial bank may not have the necessary staff to inspect this particular kind of industries. But do you think that the industrial banks would be able to employ such a staff?

A.—Yes.

Mr. Gopala Menon: You say the existing rate of interest should be reduced to 4 or 5 per cent from the present 7 or 8 per cent. That is a great problem. Is it possible to achieve this when the capital in the country is so short?

A.—That is only a wish.

Q.—Do you think it can be done by legislation?

A.—I do not think it can be done by legislation.

Q.—Are you certain that the Multani rates go up to 24 per cent? We had been informed till now that it was not so.

A.—It is not their general rate of interest, but only in certain cases where they do not know the parties.

Mr. Thomas: Is it for small amounts?

A.—Yes, for small sums. For large sums it depends on the parties, their character, social standing, etc.

Q.—So this 24 per cent is due to want of security?

A.—In risky transactions they charge like that.

Mr. Gopala Menon: What are the two kinds of hundis generally current in the city?

A.—The ordinary hundi and the box hundi.

Q.—What is meant by box hundi?

A.—It is this; in the case of a box hundi if a merchant wants money he gets it but his name is not published anywhere. He gets the money from the man who makes the hundi and that hundi is sent out to some other town in this Presidency or elsewhere. On the due date the money is paid to the person who made the hundi.

Q.—Do you know whether the parties have made previous arrangements with regard to meeting that hundi?

A.—Suppose a man wants money from a Multani then he goes to him and gets the money from him. This may be discounted with the Imperial Bank but instead of the person paying it to the bank on the due date the Multani himself pays it and the man pays it earlier to the Multani.

Q.—Is it the general practice to draw such hundis?

A.—Yes.

Q.—Why do you say that hundis have got a legal superiority over promissory notes?

A.—Because it can be easily protested and if it is protested then attachment of the property is easy.

Q.—What is the general commission which these brokers get in arranging money transactions between the Multanis and private individuals? Is there any fixed rate?

A.—There is no fixed rate, but the man who gets the money pays something to them.

Q.—Is it a regular institution?

A.—Yes.

Q.—You say the development of industries is impossible unless some sort of institution subsidized by Government is brought into existence. Why?

A.—Because the people themselves are unable to do it.

Q.—So you want industrial banks subsidized by Government in the country?

A.—Yes.

Mr. Thomas: In respect of the soap works of which you are the Superintendent, may I ask you what dividend accrues on the capital invested?

A.—About 6 per cent.

Q.—May I know where your soap is at present being sold?

A.—Mostly in this Presidency, but some quantity is also going to Karachi and Bombay.

Q.—Have you not been able to send it to Ceylon, Malaya and other eastern markets?

A.—We have small dealings with Ceylon but practically none with the Malay States.

Q.—Don't you think there is scope in those lands?

A.—There is very great scope.

Q.—Have you been able to capture any new markets at all?

A.—We are not confident of our own existence, there is a certain amount of uncertainty regarding our future and hence no definite programme covering some years can be chalked out. As we are not sure of our continued existence we cannot work the factory on a commercial scale.

Q.—Do you advertise very much?

A.—We do a little. Annually we spend about Rs. 9,000, but that is very little.

Q.—Suppose the factory is a private concern, do you think that any economy can be effected in any direction and thus its profit is likely to increase?

A.—Of course if it is a private concern, it will have much less to spend in certain directions, e.g., the buildings can be reduced to the actual requirements, auditing and other expenses will be much less and the number of clerks employed will also be less. The number of other employees can also be reduced and if necessary they can be asked to work overtime. In a private concern, conditions are more flexible. That is the difference of a Government institution and a private concern.

Q.—Do you work double shifts?

A.—Sometimes we do, especially when we work the glycerine plant. But generally the work is done during the day.

Q.—Have you been adding to your capital lately?

A.—We have not been putting additional capital.

Q.—Has there been no increase of staff?

A.—No; as I told you there is great uncertainty with regard to our future.

Q.—Do you think that there is scope for this soap factory developing so as to meet a good part of the Indian demand?

A.—Yes, we are situated in the midst of the oil producing part of the country and in the best position to manufacture and market the produce.

Q.—What kind of oils do you use?

A.—We use mostly vegetable oils, but use also fish oils. In fact with regard to the supply of oils we are situated in the best position. We are using three or four kinds of oil the use of which was never known before and we have created a market for those oil now.

Q.—You have thus been able to raise the price of such produce and thus put more money into the people's pockets?

A.—Yes, we have not only increased their price but have created a market for them in India and in Europe also.

Q.—Are those oils you mention cheaper than palm oil?

A.—They are much cheaper.

Q.—Is it true to say that at present our industrial advance is limited chiefly by the want of marketing facilities?

A.—Yes.

Q.—Now, in regard to the coconut yarn industry, what has been the experience of the co-operative coir societies? How much business do they carry on?

A.—Their output is not very large, so large as to warrant them going to the big exporting houses. They would require several thousands of candies at a time and only in case such quantities are given to them will they offer good prices.

The Chairman: Have you any experience of this work?

A.—No, all this has been gathered from Rao Sahib V. K. Menon. I have got not much idea about it.

Mr. Thomas: However, you have sent in a note on the subject. Where is this yarn exported to?

A.—To Europe and to Japan and some other places.

Q.—Do you not send out finished products?

A.—Not much from Calicut. Most of the export is in yarn.

Q.—From Alleppey they export the finished product. Why is it not done in Calicut?

A.—That can be done. The Alleppey market has developed that trade and there is nothing preventing Calicut from developing a similar market.

Q.—Could you not prepare the same kind of yarn here?

A.—We can prepare it.

Q.—In regard to the banks in Calicut, of which you have some knowledge can you tell me what reserve fund they keep?

A.—I have no idea of it at all.

Q.—Do they lend money on mortgage of land?

A.—So far as I can gather they do not.

Q.—Is their general working sufficiently satisfactory?

A.—The banks are carrying on their business pretty well.

Q.—Is there any necessity for restricting or regulating their work?

A.—They are carrying on well and I do not think anything is necessary.

Q.—How many banks are there altogether in the whole of Malabar district? Are there many more than the registered ones?

A.—I have no idea, but I have given a list of the banks in Calicut and some of those banks have branches in the district.

Q.—In regard to the industrial banks of which you have spoken, I suppose we require long-term capital. What are the sources of long-term capital now?

A.—There is nothing now. As regards industrial loans very little is done in Calicut except for some overdraft arrangements in banks for some industrial concerns.

Q.—Are you aware of any banks here under-writing the shares of good joint-stock concerns?

A.—No, not in Calicut.

Q.—Are not such facilities necessary for the development of industries?

A.—They will be useful.

Q.—Are joint-stock companies successful in Malabar and West Coast in general?

A.—Yes, they are succeeding and are doing good work also. The public are much benefited by them, especially with regard to the exporting of raw materials and collection and transmission of money.

Q.—Do they command public confidence?

A.—Yes, they do. But latterly owing to certain troubles and failures there has been a little set back but not very much. All the people are utilizing the banks to the best advantage possible.

Q.—I am asking you about Indian joint-stock companies that are running industrial or commercial ventures. Have they been successful?

A.—Yes, but such companies have not increased.

Q.—Have they expanded their business?

A.—They have expanded their business, but they are very cautious.

Q.—What is the cause of their slow development?

A.—There have been some failures and some troubles in their branches and so they are taking extra precautions. There is great difficulty with regard to the recovery of loans.

Q.—Which is more lacking, enterprise or capital?

A.—I think it is a question of lack of enterprise mostly because I am sure there is plenty of capital which is not being utilized to the full. When they start new enterprises the money will come forward.

Q.—In regard to the rates of interest charged by the Multanis, do you think the rates are higher here than in other places?

A.—I think the Multani rates of interest are the same in every part of the country.

Q.—We have been told by the Multanis that they do not charge more than 2 per cent above the Imperial Bank rate?

A.—It may be due to modesty, but I think the fact is not so. Many people whom I know have taken loans from them at higher rates of interest.

Q.—Who is managing the timber trade?

A.—There are so many concerns and merchants doing it.

Q.—Who is financing it?

A.—It is financed by the Multanis mostly.

Q.—At what rates of interest?

A.—That depends on the person who wants the finance. Sometimes it is 9 per cent and sometimes it is 12 per cent. The maximum is 24 per cent and the minimum for a very good party is 7 per cent.

Q.—Are they fair in their estimate of a person's credit?

A.—Generally yes, but even if a person has got a good reputation and is doing good business their inclination is not to lend much because there have recently been some failures of some persons who were reported to be very good.

Q.—What is the cause of the failures in timber trade?

A.—Fall in prices and competition from Rangoon. Formerly Bombay used to buy a lot of timber from here but the condition of that market is now very precarious.

(The witness then withdrew.)

Thursday, 13th February 1930.

CALICUT.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

Khan Bahadur V. HAMEED SULTAN MARICAI SAHIB Bahadur.

SETH MANGOOMAL CHELLASING, Banker, Guzarati Street, Calicut, represented by **PARASRAM MANGHARAJ**, Managing Partner.

Oral evidence.

The Chairman: What business are the Multani bankers doing here?

A.—They are advancing money on hundis.

Q.—How do you advance money on hundis?

A.—I am advancing money on hundis for 1½, 2, 2½ and 3 months. The merchants in the city such as Ibrahim Hussain and others have collections for big sums here. They bring to us the money and we issue hundis on our Bombay branch and they send it to their Bombay office to recover the money from our Bombay office.

Q.—There is therefore remittance from here to Bombay?

A.—Yes.

Q.—What is the rate of interest you charge on hundis?

A.—Sometimes at par, sometimes we pay 3 pies to them and at other times they pay 3 pies or 6 pies to us according to the nature of the transactions and the necessity for remittance money to Bombay.

Q.—Do you lend money?

A.—We advance our capital on hundis.

Q.—On whose hundis do you advance?

A.—Merchants in the city come to us and receive money from us and give hundis. We lend on those hundis for 1½ months, 2 months, etc.

Q.—Are they hundis or pro-notes?

A.—They are hundis only.

Q.—What is the difference between a hundi and a pro-note?

A.—Hundi is an exchange draft which I can discount with the Imperial Bank and get money, but in the case of a demand promissory note, I must keep that with me.

Q.—Do you find any difficulty in using usance bills?

A.—There is no difficulty in advancing on thirty days' sight pro-note, but we do not generally do it. We always advance on hundis. We also take hundis from our parties and discount it with the bank.

Q.—In the case of those hundis do you not deduct any interest?

A.—We deduct the interest in advance.

Q.—What is the rate of interest on hundis?

A.—The usual rate is 8½, 9, 10 and sometimes 12 per cent also.

Q.—Are not the Multanis lending at 18 per cent?

A.—Multanis do not generally lend at 18 per cent.

Q.—Are there any Marwaris here?

A.—Marwaris are not doing business in Calicut.

Q.—What is the nature of the security you demand from your borrowers?

A.—Usually, according to the stability of the parties and on their personal credit I advance money. Mostly I advance on personal security.

Q.—For what purposes do you generally lend?

A.—It all depends upon the nature of business the parties are doing. They may be cloth merchants; they may be copra merchants, or yarn merchants. Generally speaking they are merchants and we make enquiries about their stability and then advance money.

Q.—Do you lend money on goods in godowns?

A.—Yes. We keep the key in our possession.

The Chairman: Where do you get your funds?

A.—My native place is Shikarpur where we have our head office. They send their money to the Bombay office and I get my money from the Bombay office.

Q.—Do you always draw on hundis and actually keep some capital with you?

A.—I do not keep any capital here. Whenever I want money I draw from my Bombay office.

Q.—Do you ever finance timber merchants?

A.—I am advancing to the timber merchants also.

Q.—It is a fact that a number of those merchants failed recently?

A.—They were in an embarrassed state. There were practically no sales and therefore they naturally failed.

Q.—Why were they in the embarrassed state?

A.—We do not know the details of their business, but our information is that they sent timber to Karachi, Bombay and other places, and this year the market was very dull and there were no sales and hence their embarrassment and failure.

Mr. P. J. Thomas: What is the lowest amount that you generally lend?

A.—Rs. 200 is the minimum amount that I lend.

Q.—To what classes of people do you give such loans?

A.—They are generally shop-keepers.

Q.—Do you not lend money to clerks and some other small salaried men?

A.—No.

Q.—Do you lend to manufacturers?

A.—Only to merchants.

Q.—What interest do you charge on small loans like Rs. 200?

A.—Twelve annas, 13 annas, 14 annas and so on. It depends upon the Imperial Bank rate. Our rates will generally be 2 per cent above the Imperial Bank rate.

Q.—Do you charge the above rate even in regard to the Rs. 200 lent to the shop-keepers?

A.—We give loans only about Rs. 600 and above. It is very rarely that we give loans for Rs. 200 and this does not generally bear more than one rupee interest.

Q.—Are the Multanis also having the same class of transactions?

A.—Yes, they are also doing the same kind of business.

Q.—Do you allow your clients to return the amounts in instalments?

A.—No. Such a system does not obtain among us.

Q.—Do you discount the hundis received by you with the Imperial Bank? or do you keep your hundis with you?

A.—Whenever we are in need of money, we discount them with the Imperial Bank, if there is no need for money we keep them ourselves.

Q.—At what rate do you discount your hundis with the Imperial Bank?

A.—It also depends upon the Imperial Bank rate. They charge 7 per cent interest on them.

Q.—Do you borrow any money from the Imperial Bank?

A.—We never borrow from the Imperial Bank. We get our finances from our head office in Bombay.

Q.—Has there been lately any reduction in the number of your clients? Are not some of the merchants who were formerly dealing with you now going to the Imperial Bank direct?

A.—Yes, they resort to the Imperial Bank whenever that is profitable.

Q.—Does not your business dwindle on that account?

A.—Really our business is getting reduced, but still we do not mind that at all.

Q.—Have you had any bad debts?

A.—Yes, we have lost some money by that also. Sometimes Rs. 10,000, sometimes 5,000 and sometimes 20,000 and 30,000 and so forth.

Q.—Did you sue the parties?

A.—Yes.

Q.—Do you find any difficulty in realising your amounts?

A.—Yes. We have sometimes to go to court.

Q.—Have you anything to suggest with a view to avoid bad debts and to realise your amount in a less expensive way?

A.—What is the use in our complaints? Government would not hear what we say.

Q.—You can make any suggestions to the committee?

A.—The present day dealers are not doing business according to their capital. They are doing business rashly without using any caution, care or intelligence. They very often over-trade and at times they are unable to meet their dues and the result is they file a schedule in the insolvency court. Many of such people often hide a good deal of money before filing a schedule and so we have to sustain a heavy loss. After filing the insolvency the Receiver for that insolvency does not properly scrutinise their assets and liabilities. Now a days nobody is ashamed to go to an insolvency court and therefore we are sustaining loss.

Q.—What can the court do?

A.—This is all what we have to represent. It is for the Government to find out a remedy.

Q.—Suppose Government makes rules to regulate your business with a view to avoid too great risks in your business and also to secure the interests of honest clients? Terms of business will be prescribed and accounts regularly audited? Government may also help in obtaining funds more easily and at lower interest? Will you agree?

A.—We are quite prepared for such regulations.

Mr. C. Gopala Menon: May I know what is the security offered by you to the Imperial Bank for discounting your hundis?

A.—Our Bombay office only knows all about that. I do not know anything about that.

Q.—Is it the Bombay office that has given a security to the Imperial Bank or is it your Shikarpur head office that has given security to the Imperial Bank for discounting your hundis?

A.—I am unable to answer that question.

Q.—How did you first commence your business with the Imperial Bank in Calicut?

A.—I have no dealings with the Calicut branch of the Imperial Bank. My dealings are with the Madras branch of the Imperial Bank and also the Bombay branch.

Q.—Then do you mean to say that the hundis you take from your customers in Calicut are sent over to Madras for discounting?

A.—Yes, and to Bombay branch also.

Q.—Where do you get your cash?

A.—I get cash from Bombay office, and from merchants here who wish to remit money to Bombay.

Q.—Do you not use Imperial Bank for transmission purpose?

A.—My Bombay office will do that.

Q.—Where do you keep your cash? Do you keep it in your safe or bank anywhere?

A.—I always keep it in my safe.

Q.—Have you any current account with the Imperial Bank? Do you not rely on the Imperial Bank for safe custody?

A.—I have got a current account with the Calicut branch of the Imperial Bank.

Q.—For what purpose do you keep it?

A.—I have given a letter to the Imperial Bank here that in the event of any failure of payment on the hundis discounted by me, the Imperial Bank could meet the hundis out of this account.

Q.—Do you mean to say that if you have not got sufficient funds in the Calicut branch of the Imperial Bank you at once take a hundi from somebody in Calicut who wants to remit money to Bombay and pay that money into the Imperial Bank in order to meet your hundi which was not met either at Bombay or Madras?

A.—I meet such hundis which are not paid on the due date either from my own cash or from the money that I get out of issuing hundis on Bombay.

Q.—Do you utilise the help of any brokers in getting this business?

A.—In the case of sound hundis we utilise the help of brokers.

Q.—What is the rate of commission you give on those transactions to the brokers?

A.—I generally give 3 pies for every 100 rupees business, as commission to the brokers for bringing the business.

Q.—Have you had instances where you have got your hundis noted by the Notary Public, when they are not met on the due date?

A.—In such cases I at once give notice to the parties that they should pay the amount within ten or fifteen days of the notice. There were also cases in which I have also brought hundis to the Notary Public when the parties did not pay on the due date.

Chairman: You say that you are sending hundis for collection from here to Bombay. Are you getting any hundis from your Bombay office for the purpose of collection here?

A.—No hundis are sent from Bombay to my office in Calicut. I only send hundis on which I make advances to Bombay for collection.

Q.—If you send hundis from here to Bombay, then goods must be sent here?

A.—What I generally do is to collect money from merchants here who want to remit their money to Bombay and issue hundis on our head office. That is how I get funds. They send these hundis to their head offices in Bombay for encashment in our Bombay office.

Mr. C. Gopala Menon: What are the goods that come from Bombay?

A.—The money that I am receiving from the merchants in the city is against goods they have purchased from Bombay. They are generally grains, piecegoods, pulses, etc.

Mr. Thomas: Goods are also sent from here to Bombay and money therefore comes from Bombay to this side also? Does it not?

A.—Yes. Goods are also sent from here to Bombay, but that is very little.

The Chairman: The bulk of the goods are directly exported from here to foreign countries, is that not?

A.—Yes.

Q.—Do you know whether Multani hundis are cashed at the Imperial Bank or other exchange banks such as Chartered Bank and the Mercantile Bank?

A.—Mostly with the Imperial Bank.

(The witness then withdrew.)

Thursday, 13th February 1930.

CALICUT.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

M.R.Ry. K. M. SOMA MARAKALA Avargal, Fish Merchant, Malpe, South Kanara, and **M.R.Ry. U. KARUNAKARA MENON** Avargal, B.A., Assistant Director of Fisheries, Calicut.

Oral evidence.

The Chairman (to the Assistant Director): You are in charge of the fisheries on the West Coast?

A.—Yes.

Q.—Are you in charge of the economic work?

A.—Yes.

Q.—That involves running a certain number of co-operative societies?

A.—Yes.

Q.—Are you in touch with that?

A.—Yes; not in very intimate touch. The Inspectors regularly inspect the fishing societies. There are only two societies.

Q.—You have not got any credit societies?

A.—No. Some of the societies are doing good work. As a class they are not working satisfactorily.

The Chairman (to the witness Mr. Soma Markala): What do you know about the co-operative societies for fishermen?

A.—I am connected with the co-operative society at Malpe. Since the members did not regularly pay, the society failed.

Q.—Why did not they pay their dues?

A.—They had no money to pay their dues. Owing to the failure in the fishing season they were unable to pay their dues.

Q.—For what purpose did they use that money?

A.—For purchasing boats and nets. During the non-fishing season for their livelihood they borrow money.

Q.—Why did they not save in the previous months for the non-fishing season?

A.—Whatever they earned they spent.

Q.—Do you think that somebody else is going to keep them in the off-season? From whom do they borrow when there is no fishing?

A.—When they cannot keep themselves they borrow money from the money-lender.

Q.—Do you work for yourself and for the money-lender too?

A.—I am lending money.

Q.—You are a money-lender?

A.—Yes. I used to give advances to boat-owners.

Q.—What for?

A.—For fishing business.

Q.—For what purpose do you lend money?

A.—We used to give them money when they want to buy boats and nets. We used to pay them when they have to pay advances to workmen.

Q.—You too pay?

A.—There are owners of boats and nets. I am paying them and they employ workmen under them.

Q.—Do they finance the fishermen?

A.—Yes.

Q.—What rate of interest do you charge?

A.—The owners of boats and nets are paid some advance by the capitalist.

Q.—Are they bound to sell the catches to him?

A.—The capitalist buys at the bazaar rate. The owners of boats undertake to sell the fish that they get to the capitalist. Those people have to employ workmen under them so that they might go for fishing.

Q.—Why should he pay the advance?

A.—To purchase boats and nets.

Q.—Why is it that advances are given?

A.—For their livelihood.

Q.—Do they not get fish everyday?

A.—If they get fish for a day, they may not get for ten or fifteen days.

Q.—If they catch fish for a day will it not last for fifteen days? What are the reasons for giving advance?

A.—There are people who are not taking advances. To replace the old nets they borrow money and purchase new nets. For that purpose we are paying advances.

Q.—Why do they not save money and purchase new nets?

A.—They might have borrowed sums earlier. They pay the previous years' debts and what remains with them will not be sufficient for the new nets.

Q.—Are you giving your own money or are you borrowing money and paying them?

A.—I pay my own money; sometimes I borrow and pay.

Q.—From whom do you borrow?

A.—From the bank.

Q.—What bank?

A.—The Kanara Banking Corporation, Udipi.

Q.—What is the rate of interest?

A.—9 per cent.

Q.—What security?

A.—Personal security?

Q.—You lend to these fishermen?

A.—Yes.

Q.—What do they do after catching?

A.—The fishermen sell the fish either to the man from whom they have borrowed money or to some others who offer them a higher price.

Q.—How much does the fisherman get and how much the owner?

A.—The fishes are sold in a lump. The sharing is done afterwards.

Q.—What is the share?

A.—Supposing there are twenty owners of boats and nets and sixty workmen. The division is made equally between the owners of boats and the workmen.

Q.—What is the object in getting in a lump? Do they not catch separately? Do they sell separately after catching the fish?

A.—The system of fishing that is prevalent is that of *rampini* boat and net. All join together and catch fish.

Q.—After catching the fish do they sell it separately or wholesale?

A.—They sell it in a lump.

Q.—What does the fishermen get?

A.—The whole sale-proceeds go to the fish catcher. Supposing there is a set of boat-owners and fishermen. They catch two lakhs of fish which is sold at the rate of Rs. 6 per thousand.

Q.—What does the boatmen get?

A.—The owners of boats and nets get Rs. 600 and the rest get Rs. 600.

Q.—They divide half and half?

A.—Yes.

Q.—Who buys the fish?

A.—The merchants.

Q.—Those merchants lend money to the boat-owner?

A.—Yes. They sell the fish to the men from whom they have borrowed the money.

Q.—What interest does he get on his loan?

A.—12 per cent.

Q.—Paid in kind or cash?

A.—The fish is purchased at the bazaar rate and the owner of the boats and nets gets the money. Out of the sale-proceeds the man who has lent takes the capital and interest.

Q.—Whole?

A.—At the end of the fishing season the whole is repaid. At the beginning of the fresh season fresh loans are advanced. They take loans for their livelihood.

Q.—You said that they are borrowing for their livelihood before the season?

A.—After the fishing season when they have no money with them they borrow. During the rainy season they begin to borrow. Only for six months they work.

Q.—The monsoon does not last for six months?

A.—For four months we have rains. Afterwards there is not much of fishing. They do only cast net operations.

Q.—Why?

A.—That is the practice.

Q.—The result is the whole of the fishing community is in debt?

A.—There are some people who are without debt.

Q.—Those people who are without debt are they lending money?

A.—Yes.

Q.—They do not fish?

A.—They do go for fishing. I am an agriculturist. I am not going for fishing.

Q.—Who buys the fish and gets them cured?

A.—Christians, Mappillas and Tiyas.

Q.—Do not the women buy fish?

A.—No.

Mr. Muniswami Nayudu: Have you got boats and nets?

A.—I have no boats and nets used for fishing.

Q.—How many boats are there at Malpe for fishing?

A.—Thirty.

Q.—Of the thirty how many are not in debt?

A.—Five or six persons.

Q.—You lend money for the purpose of enabling them to buy boats and nets?

A.—If they ask us, we pay them.

Q.—You are actually lending to the owners?

A.—Yes.

Q.—For how many?

A.—Two.

Q.—Have you taken any pro-notes from them?

A.—Yes.

Q.—What is the rate of interest stipulated in the pro-note?

A.—12 per cent.

Q.—Does the pro-note stipulate that the interest should be in cash or in the shape of fish?

A.—The pro-note shows that the interest should be paid in cash but sometimes I take fish also.

Q.—During the fishing season for whom do you advance money? What does the boat-owner get? Does he go for fishing alone or with others?

A.—He takes others in partnership with him. Whether it is a single individual or sixty men all of them join together and go for fishing.

Q.—After catching the fish how do they share both the boat-owner and the fishermen? Half and half?

A.—Supposing there are 20 boat-owners and they take forty other people as coolies. All of them go together and half the sale-proceeds is given to the boat-owners and the other half is given to the fishermen. Six or seven thousand rupees is required for the total equipment. All of them sell together.

Q.—Is he bound to sell it to the man from whom he has borrowed money or can he sell it to somebody else?

A.—He can sell it to anybody.

Q.—What is the largest amount you have given as loan for the two boat-owners?

A.—To one man I have given Rs. 2,500 and to the other Rs. 3,000. The same people have borrowed from others.

Q.—They have to pay interest whether they catch fish or not?

A.—Yes.

Q.—Suppose the boat-owner offers only Rs. 6 per thousand. If another man is prepared to give Rs. 6-4-0 can he sell the fish to him?

A.—Yes.

Q.—And you receive the interest due to you?

A.—Yes.

Q.—But if you take the fish you take it only at the bazaar rate and not at the competitive rate?

A.—Only at the bazaar rate. If the cured fish is sold for Rs. 8 fresh fish will be sold at Rs. 6.

Q.—Are you in the habit of taking fish itself?

A.—Yes.

Q.—Then you cure and sell them?

A.—Yes.

Q.—Do you advance money to the actual fishermen?

A.—I give money only to those persons whom I know.

Q.—You do not do it directly?

A.—No.

Q.—Do you know how he shares with the other persons? Does he give it for interest?

A.—No. He gives as advance.

Q.—Are the fishermen bound to give to the boat-owner or can they sell to anybody they like?

A.—Fishermen repay the advance in cash.

Q.—On what security does the boat-owner give?

A.—Nothing; he gets a pro-note.

Q.—How much time does it take for him to realize the amount?

A.—He waits for two or three years.

Mr. Muniswami Nayudu: Are there co-operative societies to help these boat-owners?

A.—No.

Q.—Do these boat-owners borrow from co-operative societies?

A.—No.

Q.—You borrow at 9 per cent from the co-operative bank and lend it at 12 per cent?

A.—Yes.

Q.—Are you able to make a profit out of it?

A.—Some amounts I am not able to realize.

Q.—So, what is the net interest that you are able to realize?

A.—I cannot say if I make any profit out of this at all. I am a trader and I am able to make profit out of that.

Q.—Independent of the lending of money, you have the fish trade yourself?

A.—Yes.

Q.—You buy fish not only from the boat-owners to whom you lend but also from others?

A.—I purchase from two persons now.

Q.—Do you have the fish cured and then sold?

A.—Fresh fish is purchased by me, then it is cured and then I sell it.

Q.—To whom do you sell?

A.—The people from Tellicherry, Chowghat and other places come and make the purchase.

Q.—Have you been carrying this business of lending money to the boat-owners for a long time or have you taken to it only recently?

A.—I have been carrying on this business for the last 15 or 20 years.

Q.—Is it an ancestral business?

A.—No.

Q.—How many people are there like you lending money to these boat-owners?

A.—All ticket-holders of the Malpe Fish-curing Yard do this and they are about 60 in number.

Q.—Those who cure fish advance money to them?

A.—Yes. I advance money during the rainy season and I do not get any interest from them.

Q.—How do you recover the money then?

A.—By means of small instalments.

Q.—Is it by charging for the labour?

A.—I adjust against the labour done by them.

Q.—You said that you are lending money to two boat-owners. Has that been in existence during the last fifteen years?

A.—It is only two years since I have lent to these two men and I expect them to repay the amount this year.

Q.—You expect the boat-owners to repay in two or three years?

A.—Supposing they are not able to repay in one or two years out of their own income, they borrow from elsewhere and repay and thus they will be indebted to the other man.

Q.—Are the boat-owners able to clear their debts in two or three years' time?

A.—They may not be able to repay within that time.

Q.—So, they are always in debt?

A.—More or less they will always be indebted. But there are some people who are without debt.

Mr. Thomas: I should like to know what a fisherman usually earns on days when he goes out to fish?

A.—On some days he may get Rs. 4 or Rs. 5 but on some days he may get nothing at all. On a few days he may not get more than four annas.

Q.—On an average what could he earn?

A.—On an average 60 men together will be able to get Rs. 3,000 in six months in the year.

Q.—During the rest of the year does he not go afishing?

A.—No.

Q.—So, his income according to you will be only Rs. 50 from fishing for the whole of the year?

A.—With rampini net they get so much.

Q.—Does he also use the other net?

A.—He does it in other months.

Q.—In those months how much would he be able to get on an average?
 A.—He may get 8 annas a day and there may be days when he gets nothing at all and hence it is not possible to say exactly what the average will be.

Q.—I want to have some idea of the maximum and the minimum which a fisherman may get by going out with an ordinary net?

A.—One man does not go by himself. Generally four or five join together and go out and they may get from Rs. 2 to Rs. 4.

Q.—And thus they each get Re. 1 per head?

A.—Yes. Again for four or five days they may not get anything at all.

Q.—For how many months in the year is he absolutely unemployed?

A.—Sometimes there may be rains and sometimes there may be heavy winds for at least three or four months in the year and these will practically be a waste of time for him as he could not go out to get any catch.

Q.—Only for two or three months he may be so. But even then occasionally he might be going out. Is it not so?

A.—During the rainy season for two or three months, he may not keep quiet, but he will be repairing the nets.

Q.—What subsidiary industry have these fishermen during those idle months?

A.—They are spinning with hemp and they do not go out for other work.

Q.—Is it not possible for people like you to show them the way for carrying on some kind of cottage industries which will suit their own avocations and the convenience of their families?

A.—If they require we will give them the necessary facilities?

Q.—Is it not possible for them to take to weaving or basket-making?

A.—They do not do any of these things.

Q.—Why can they not be taught?

A.—The work of repairing old nets and making new ones itself occupies their full time.

Q.—There is no time then when they and their families are idle?

A.—They do not know and they do not take to any other work.

Q.—Is it not possible that they might be able to supplement their earnings by taking to some kind of cottage industry?

A.—If they do that they will be all right.

Q.—What is the co-operative society at Malpe doing?

A.—The society is closed. It was giving loans for the purchase of threads for making hemp.

Q.—Did not the society get back some instalments from the fishermen?

A.—They took the loan on the understanding that they will give at the end of a year, but they were unable to pay at the end of the year.

Q.—Suppose we reorganize the system in another way. We may make it compulsory on their part to bring the whole of their catch to the society and have it sold through the society?

A.—They had a society in Mangalore for purchasing oil and guano. That also did not work well.

Q.—Why?

A.—The prices fell down and the society did not work well.

The Chairman: Are there no other reasons?

A.—No.

Q.—Were there no defalcations in that society?

A.—No.

Q.—Did it transact very little business?

A.—Yes. For the last five years it has not done any business.

Mr. Thomas: There is a great demand for cured fish in Ceylon and other eastern countries and a great deal is consumed over there. Much fish is now supplied by the Malabar Coast. But does the fishermen get any share of the profits?

A.—No.

Q.—Therefore, would you consider it desirable to have co-operative societies not only to advance money for nets but also to take their fish, have it cured and then sell it in bulk?

A.—I do not think so. The oil and guano society failed.

Q.—Are they buying fish?

A.—It was a society of oil and guano factory owners who were purchasing fresh fish.

Q.—In the case of the Malpe Co-operative Society, who were the shareholders? Were they actual fishermen or boat-owners?

A.—The shareholders were all fishermen of whom some owned boats.

Q.—What does a fisherman of average ability who works for the major portion of the year earn by fishing?

A.—I am not in a position to say. (*Assistant Director of Fisheries*) We have started two societies. The societies own boats and nets and the members go out fishing and the accounts show that including the 8 annas which each gets as a living wage on days they go out for catching fish each is able to make Rs. 10 a month. After paying the living wage of 8 annas out of the sale-proceeds half goes to the fish-catcher and the other half to the society. The Government has given a loan of Rs. 1,500 to each society and out of the income of the society the loan has to be repaid. So after deducting the society's share each catcher of fish gets Rs. 10 a month.

Q.—In the Malabar district?

A.—Yes.

Q.—Do you take a share of the fish caught for the society or its money value?

A.—(*The Assistant Director of Fisheries*) Supposing the fish is sold, then 8 annas is paid as a living wage to each member of the crew and the balance is divided equally among the members and the society.

Q.—It is the society that repays the loan?

A.—Yes.

Q.—When the debt is completely repaid the boats become the property of the society?

A.—Yes. In this way each member gets 8 annas as living wage and his share also. On the average each member gets Rs. 120 a year.

The Chairman: You have each society owning one boat?

A.—(*The Assistant Director of Fisheries*) Each society owns three boats.

Q.—Have they been registered?

A.—(*The Assistant Director of Fisheries*) Yes.

Q.—Registered as credit societies?

A.—(*The Assistant Director of Fisheries*) As non-credit societies.

Q.—When was it registered?

A.—(*The Assistant Director of Fisheries*) Three years ago.

Q.—There are two societies; who runs them?

A.—(*The Assistant Director of Fisheries*) The Fisheries Department are in charge of them.

Q.—Who is actually doing the work of those societies? Who is keeping the accounts?

A.—(*The Assistant Director of Fisheries*) It is the Sub-Inspector of the fish-curing yards who is writing the accounts.

Q.—Then where does the co-operation come in?

A.—(*The Assistant Director of Fisheries*) It is registered as a co-operative society.

Q.—What do the members do?

A.—(*The Assistant Director of Fisheries*) They go out fishing.

Q.—But who conducts the affairs of the society?

A.—(*The Assistant Director of Fisheries*) There is the secretary and the president.

Q.—What do they do? Who is held responsible for writing up the accounts?

A.—(*The Assistant Director of Fisheries*) Sometimes the Sub-Inspector writes, sometimes the secretary also writes.

Q.—There are only two secretaries?

A.—(The Assistant Director of Fisheries) Yes.

Q.—Can either of them write?

A.—(The Assistant Director of Fisheries) On one occasion the secretary was not able to write and hence he was changed.

Q.—And the other man? Has he ever been known to keep these accounts?

A.—(The Assistant Director of Fisheries) I cannot positively say that the accounts are entirely written up by the secretary. I believe part of the accounts is also written by the Sub-Inspector. The Fisheries Department are given the responsibility of seeing that they work well. Till the loans taken from the Government are discharged the supervision of the department will continue.

Q.—What does the President do?

A.—(The Assistant Director of Fisheries) He does just as the president in other societies do. He presides over the general meetings and the panchayat meetings.

Q.—What do the panchayatdars do?

A.—(The Assistant Director of Fisheries) They meet and pass resolutions for example to get loans from the district bank.

Q.—Why do they want money? You said it is not a credit society?

A.—(The Assistant Director of Fisheries) The members want money for their living. Instead of borrowing from elsewhere they borrow through the society. It is not a credit society but the by-laws permit of loans being taken provided the total does not exceed Rs. 2,000.

Q.—What voice have the members got in the management?

A.—(The Assistant Director of Fisheries) The members have got the same voice as in other co-operative societies.

Q.—But who really runs the affairs of the society?

A.—(The Assistant Director of Fisheries) Because the Government have advanced loans the Fisheries Department have been made responsible for seeing that the affairs of the society are conducted well. The boats and nets are the security offered to the Government for the loans.

Mr. Thomas: In the case of backward classes, it may be necessary for Government to take a paternal interest in them and start co-operative societies for them. When they get accustomed to it, Government may withdraw. Do you agree?

A.—Yes.

Q.—How are the fisheries societies selling their produce?

A.—(The Assistant Director of Fisheries) They sell it away while they are fresh.

Q.—Is it better to sell fresh?

A.—(The Assistant Director of Fisheries) In particular places fresh fish fetch good prices.

Q.—But normally it is the other way?

A.—(The Assistant Director of Fisheries) Yes.

Q.—Have you tried any subsidiary industries through the co-operative societies?

A.—(The Assistant Director of Fisheries) No.

Q.—Are there no suggestions?

A.—(The Assistant Director of Fisheries) The funds do not permit us to do that because the loan advanced by the Government have to be repaid.

Q.—Is it only a matter of funds?

A.—(The Assistant Director of Fisheries) They will not take to any other occupation. Just after the cyclone, the fishermen were in a very bad way and the Collector tried to persuade them to take up some coolie work as metalling the road but they refused. They think they cannot depart from their immemorial occupation.

Q.—Are their children going to school?

A.—(The Assistant Director of Fisheries) Now so many of them come to the fisheries schools.

Q.—If a rise takes place in their standard of living, and if they will take to other kinds of work?

A.—(The Assistant Director of Fisheries) As a matter of fact after the fisheries schools have been started their standard of comfort has risen and they are more cleanly in their habits.

Q.—They will then require more income and will take to subsidiary occupation?

A.—(The Assistant Director of Fisheries) Possibly.

Q.—Could not the department encourage such activities as weaving, spinning, basket-making, etc.?

A.—(The Assistant Director of Fisheries) Hitherto we have failed. In Ponnani taluk they work in the fields.

Q.—Is it suited to their mode of life?

A.—(The Assistant Director of Fisheries) Some of the fishermen are agriculturists.

Q.—What are the chief difficulties among the fishermen?

A.—Want of education and toddy drinking.

Q.—Has there been any reduction in the habit of drinking of late?

A.—No. We only hear that some five or ten people have left it off.

Q.—Is there no propaganda work among them?

A.—Nowadays some propaganda work is carried on.

Q.—Are there no coffee or tea shops opened near the toddy shops to accustom them to the former as it is done at the chank fisheries in Tuticorin?

A.—They do not do it.

Q.—Have you got any suggestions to make to the Committee in regard to the provision of better facilities for fishing?

A.—Education should be given to them and they should be stopped from drinking toddy.

Q.—But what facilities do you want with regard to obtaining funds?

A.—We require money, but have no security to offer.

Q.—You can develop your character and thrift and then if 40 or 50 people among you join they can together raise funds?

A.—But they will not do like that.

Q.—Are you interested in co-operation among fishermen?

A.—I was the President of the Malpe Society.

Q.—If it is insisted that the members should hand over their catch to the co-operative society or the curing yard, will not the society work successfully?

A.—The boats and nets are not owned by the fishermen but belong to other people and they will have to deliver the fish to the owners.

Q.—Why don't the workmen form co-operative societies and hire or purchase boats?

A.—For the original capital to start with they require somebody to help them.

The Chairman: How long will a boat last?

A.—(The Assistant Director of Fisheries) It will last for about 20 to 30 years.

Q.—How much does it cost?

A.—(The Assistant Director of Fisheries) Three boats cost nearly Rs. 1,000.

Q.—How many members are there in the societies?

A.—(The Assistant Director of Fisheries) In one society there are fifteen members and in the other there are 22 or 23 members.

Q.—And they have to pay Rs. 1,500?

A.—(The Assistant Director of Fisheries) Yes.

Q.—In what time will they be able to repay?

A.—(The Assistant Director of Fisheries) If the fishing season is good it can be repaid in four or five years.

Mr. Thomas: Why don't the men place part of their earnings in the co-operative societies and thereby provide for something to fall back upon in times of distress?

A.—They will not do it. If they get some extra money one day they at once go and drink toddy.

Q.—Does any fisherman deposit his money in the postal savings bank?

A.—No.

Q.—Do you yourself put your money in any co-operative society or any bank?

A.—I put my money as short-term deposit in a bank.

Q.—Do you use cheques? Have you a cheque book?

A.—I have not got a cheque book. If I want to withdraw money I have to give 15 days' notice of withdrawal to the bank.

Q.—Why not they be trained to deposit whatever surplus income they have in the co-operative society?

A.—They have got a similar system now and that is, if they get any spare money they give it to their 'moonpan' or chief, for safe keeping.

Q.—Does he return the money with interest?

A.—After the end of the fishing season when the accounts are closed the money is paid back to the man who has deposited without any interest.

(The witnesses then withdrew.)

(The committee next adjourned to meet again at Madras.)

Thursday, 20th March 1930

MADRAS.

P R E S E N T :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Diwan Bahadur B. MUNISWAMI NAYUDU, B.A., B.L., M.L.C.

M.Ry. Rao Bahadur A. RANGASWAMI AYYAR Avargal,
Assistant Director of Commercial Audit, Madras.

Oral evidence.

The Chairman: Rao Bahadur, what exactly is the nature of the work that you are doing?

A.:—We are auditing the accounts of Government commercial concerns and such of the local bodies and private concerns which Government wants us to audit. For instance in another province we were auditing the accounts of electric supply companies.

Q.:—Are you under the Government of India?

A.:—Yes.

Q.:—In which service?

A.:—The Indian Audit and Account Service.

Q.:—Have you any training in commercial audit?

A.:—I am an officer of the Indian Audit and Account Service and held charge of the Commercial Audit Department for the last five years in Calcutta.

Q.:—Is the audit which the Commercial Audit Department does materially different from the audit which an ordinary chartered accountant does?

A.:—It is more or less of the same kind as that done by the ordinary chartered accountant. The difference lies in that we do the audit of Government concerns alone primarily. We are a specialized department constituted primarily for the audit of Government commercial concerns.

Q.:—What staff have you got in Madras?

A.:—Our department was organized only about five years ago. I have only four clerks and three accountants here.

Q.:—Who actually does the work of auditing?

A.:—An accountant and a clerk are sent to do the audit and I go and pass the audit.

Q.:—What is the qualification of those?

A.:—We are recruiting our men partly from the Accountant-General's office and mainly from people who have passed the examination for Government Diploma in Accountancy in Bombay. Our department is only in the stage of infancy and we are trying to build up our staff. We take men partly from the clerks in the office of the Accountant-General and then we give them a training.

Q.:—What training do you give them?

A.:—The head of our department, the Director of Commercial Audit, is a chartered accountant brought out from England. He gets these men to Delhi whenever possible and there he gives them theoretical training.

Q.—Why is it necessary to give them any theoretical training?

A.—That is because these men know only the Government system of accounting and auditing. They have got to learn the commercial system also.

Q.—But you can get men direct from those who have passed the G.D.A.?

A.—Of course we get men direct from the G.D.A., but these men do not know the Government system whereas we want men who know both.

Q.—Is there much difference between both systems?

A.—Yes. The Government system is on a cash basis. We have also sometimes got to do audit for the Accountant-General also.

Q.—You mean you want to have a specialized set of accountants for Government commercial concerns which require a good deal more than would be required for the ordinary commercial concerns?

A.—Yes. A man who has got to do the audit of Government concerns has to know something about how the accounts are kept up under the Government system, because that is bound up with the budget system of the Government of India. Provision for the commercial concerns has to be ultimately made in the Government budget and the profit and loss have also to be provided for there.

Q.—If you take a man who is qualified as a commercial auditor, you will have to give him a further training, is that not so?

A.—Yes, he has to be given training in Government accounts just as the man from the office of the Accountant-General has to be given training in commercial accounts. So we build up our staff by about half and half from these sources.

Q.—Is there any difficulty in training these men?

A.—We get sometimes very good men from the Accountant-General's Offices.

Q.—Do they get the same pay all over India?

A.—Yes.

Q.—How much?

A.—Clerks are given from Rs. 70 to Rs. 230 and accountants from Rs. 220 to Rs. 600.

Q.—Do you get graduates for these posts?

A.—Yes. We get Honours Graduates and even G.D.A. men.

Q.—Why is it necessary to pay so much?

A.—They have got to go all over India at a moment's notice. It is an expert department.

Q.—Why is it necessary that they should go all over India?

A.—That is because we are not big enough to have a separate local cadre for Madras. Our department was organized in 1925 and then for a long time we had no local offices. There was only one central office at Delhi and we were all attached to it.

Q.—Your accounts are kept entirely in English?

A.—Yes.

Q.—If they had to audit accounts in the vernacular would there be any great difficulty?

A.—No, not in Madras.

Q.—Your men in Madras may be Punjabis?

A.—May be theoretically, but most of the men in the department are Madrasis. Of course if in Bengal the department had to audit the accounts in the vernacular, then I fear the department will not be able to do it with the present staff.

Q.—Will your staff be competent to audit the accounts of a bank?

A.—Of course with some training they will be able. In my department I have got several G.D.A. men. As a matter of fact, they are qualified to give certificates under the Indian Companies Act independently, if the Indian Companies Act considers that that qualification is sufficient for enabling them to give an independent certificate.

Q.—The question is—is it sufficient? I will put it this way. How much practical experience is expected for him to conduct a fair audit?

A.—The G.D.A. consists of an examination as well as a diploma after putting three years' articles under a practising accountant. For the examination any graduate can appear in private and the under-graduates have to study for three years. The examination is only in regard to the theoretical portion. For getting the diploma permitting the man to practise he has to serve under a qualified accountant for three years.

Q.—What is your experience of them?

A.—They do not have sufficient practical experience. I met some of them and I found that they did not have sufficient practical experience to be very useful. The G.D.A. is itself a new thing in India started about ten or fifteen years ago.

Q.—What is the degree they give in Madras?

A.—In Madras they have no separate examination for the G.D.A. The men have to appear only for the G.D.A. examination conducted by the Accountancy Board, Bombay.

Q.—What does the School of Commerce do?

A.—It only trains people for that examination. Now in the Assembly I believe there is a Bill for the appointment of a Board of Accountancy with a proposal to have local boards in which the Director of Commercial Audit representing the Auditor-General will be an ex officio member and they are going to have an all-India examination. That Bill is before the Assembly. That may be passed or that may not be passed. I believe that there is certain amount of opposition from the professional bodies in India.

Q.—On what grounds?

A.—Probably they say that it is not necessary for the chartered accountant to register his name under the present rules. He can practise without any further permission from any Government now. But under the proposed rules he has got to have his name enrolled in the register.

Q.—What is your experience of these people? Do you consider that their qualifications are adequate?

A.—That is a very delicate question to answer.

Q.—How many do these schools and colleges send out every year?

A.—Perhaps 30 to 40 G.D.As. every year.

Q.—They are trying to obtain employment as accountants or do a large number of them set up private practice?

A.—Possibly if they get a Government job, they accept it. For practising, even if they have got the G.D.A., they must get the permission of the local Government which is granted, as a matter of course, to a man who has put in three years' articles and has got a diploma.

Q.—That is better than the Bachelor of Commerce Degree in Bombay and Calcutta?

A.—That is only a University Degree but the G.D.A. covers commercial law also in addition to commercial accounting. I speak subject to correction. My impression is that several universities have introduced the Bachelor of Commerce Degree, as for instance the Lucknow and Mysore Universities. But the possession of a degree by itself does not enable the holder to practise, whereas in the case of the G.D.A. holder who has got the diploma he can practise with the permission of the local Government. For that the Government of India are now trying to substitute an all-India examination held in Delhi.

Q.—You have no experience of Co-operative Boards?

A.—I have no practical experience.

Q.—You do not know the standard of examinations in audit in Madras? Bookkeeping, auditing, banking and co-operation—these four every Inspector of the Co-operative Department has to pass. You have no experience of that?

A.—Not much. I think that the examinations may be of a lower standard than the G.D.A. for which the subjects are commercial book-keeping, auditing, costing and commercial law. The passing of the examination by itself does not mean much. It all depends upon the type of people appearing for the examination.

Q.—Suppose we said that it is necessary for all these banking firms to produce balance sheets. Would the balance sheets produced by these certified auditors be of the slightest value?

A.—The balance sheets have to be prepared by the accountants of the banks themselves and then they have to be certified by these auditors.

Q.—But the auditors are responsible for that?

A.—Legally they are responsible. Of course the profession of accountancy in India is in its infancy.

Q.—I gather from what you told us that you consider that these audits at present would not be reliable?

A.—I am not sure that we can make a sweeping statement like that. But it will depend upon the status of the firm of accountants.

Q.—The firm of accountants depends for its employment on the management of the concern?

A.—Yes. In that way they will not be so independent as a Government agency. Even in England, without the favour of the directors the chartered accountants will not be re-elected.

Q.—In that way a firm that is fully established does not care whether a firm employs it or not?

A.—Of course they do not care. But they have got a status and a prestige to maintain and so the accounts which bear their imprimatur will command respect.

Q.—Is it possible to build up a Government department which will undertake all audit in the course of two or three years?

A.—I may tell you that the Bihar and Orissa Government two or three years ago when we were still more in an infant stage asked for our assistance. They wanted us to certify in the case of applications under the State-Aid to Industries Act. They wanted us to look into the applications and certify the balance sheets and to advise them as to whether their financial position would permit of Government advancing moneys safely. We considered the matter and in the end we said that we wanted some more time. I think that they engaged their own auditor. They imported an incorporated accountant as a Financial Advisor to the Director of Industries to inspect these accounts.

Q.—In Madras are you called in on behalf of the Board of Industries to prepare the balance sheets of firms that supply for State-Aid under the State-Aid to Industries Act?

A.—Not so far as I know. We do not advise on the applications under the State-Aid to Industries Act. I do not know what advisor the Director of Industries has got.

Q.—You do not think or do you think that it will be possible to make up in a short time? How long will it take?

A.—Arrangements have to be made with the Director of Commercial Audit and I think it is possible to build up the staff in a short time. But I do not know what assistance is expected. It all depends upon the number of banks and the amount and nature of the work involved and whether it will require a whole-time agency or not. All that is a matter of detail. Of course we can undertake all that work. We should be given fees for the same, regard being had to the time and the amount of work. But in the case of the Electric Supply Company in the Central Provinces we fixed a flat rate of Rs. 150 for each audit. They have got their own auditors. But then the Government have reserved to themselves the power to impose their own auditor and the Central Provinces Government, because the company did not show a reduction in the rates, said that they will have an independent audit. But in the case of other provinces, that is not done though the provision is there all the same. The local Government has also the power to lay down the scope of the audit and hence it is not necessary for us to traverse the whole ground covered by the internal auditors.

Q.—That is the check audit system?

A.—Government audit is much more detailed than the audit by private auditors. The Government auditors spend a lot of time on it, much more time probably because they are not remunerated by fees for the work done. But the professional auditor will spend only as much time as will pay him having regard to the fees involved, that is he will not spend more time on

it. He will spend only as much time as would leave him a fair margin of profit. Another advantage of the Government audit is that it does not depend upon the director's favour.

Mr. Gopala Menon: Mr. Rangaswami Ayyar, you say you are entertaining clerks and accountants for your work. What is the qualification that you insist upon these men?

A.—I do not make the appointments. It is the Director of Commercial Audit that recruits the people after examining them. Direct recruitment is only from people who have passed the G.D.A. examination.

Q.—For clerkships?

A.—Yes.

Q.—For accountants' posts?

A.—It is generally by promotion only. Direct recruitment is only very occasional. The recruitment of clerks is partly made from those who have passed the G.D.A. and partly from the clerks who have experience of accountancy work in the Accountant-General's Office.

Q.—Your audit is mainly a commercial audit of the industrial concerns under Government?

A.—Yes. But it depends upon the distribution of work also. We are a Government Audit department and if we go to a particular place and conduct a local audit, then we do sometimes under special arrangement work which the Accountant-General has ordinarily to do.

Q.—My point is this. Do the men recruited from the Accountant-General's Office possess the same amount of knowledge in commercial audit as those men who have undergone a training for the G.D.A. certificate?

A.—No. But they have to pass our departmental examination in book-keeping, auditing and costing and the G.D.A. men get a training in the Government system also.

Q.—For what length of time do these men from the Accountant-General's Office undergo training?

A.—Generally for one year.

Q.—That is in book-keeping, auditing and costing?

A.—Yes.

Q.—Nothing about commercial practice, that is with regard to the systems by which the documentary bills are negotiated counting house practice, etc.?

A.—They are all included in the books on commercial book-keeping.

Q.—That is with regard to accounts. But what about Commercial Law?

A.—Of course we do not know. In the case of the Government commercial concerns, very little of commercial law is required.

Q.—What I am trying to arrive at is whether you find the men who have been recruited from the Accountant-General's Office or those who have received a training for one year or the men who have undergone training in G.D.A. for three years, are better?

A.—For G.D.A. it is not necessary to study for three years, because the graduates can appear privately and it is only the undergraduates who have to study for three years.

Q.—The G.D.A. men also have to undergo practical training before they take to public audit business?

A.—Yes, they have to put in articles for three years.

Q.—When you train your G.D.As. as accountants, do you not insist on that?

A.—No. We are taking men at different stages after passing the G.D.A.

Q.—You do not show any preference?

A.—It depends on the supply. We have taken men on Rs. 120, and even on Rs. 220. The Director of Commercial Audit directly recruits the people and he fixes the pay, having regard to the length of service, age and previous experience, etc.

Q.—What I want to know is whether men who have undergone a scientific training in accounts such as those of G.D.A. or men who have only undergone an official audit training in the Accountant-General's Office are more suitable for commercial audit?

A.—Some of the men from the Accountant-General's Office have proved very successful and some of the G.D.A. men have proved failures also. It all depends on the personal capacity and the plastic ability. Some of them cannot adapt themselves to the requirements of the Government system. We have got to work side by side with the Government system and we have also sometimes got to do work ordinarily devolving on the Accountant-General also as a measure of economy. The arrangement is that I do some work for the Accountant-General also.

Q.—Have you at any time had to help the Examiner of Local Fund Accounts?

A.—No, it is a separate department under the local Government. But sometimes the Government of India ask us to do work for the local bodies also and then we do it. The criterion is whether the accounts to be audited require any knowledge of commercial accounts and only then our assistance is called in.

Q.—Have you at any time entertained men who have received auditor's certificate from Government?

A.—Yes, we have.

Q.—What are the different kinds of certificates the local Government grants?

A.—I do not know about them. I believe that they have permanent and temporary certificates. I am a layman and we are dealing with Government commercial concerns only.

Q.—But you have been asked to take up audit of the concerns under the Industries department?

A.—Only the concerns run by the Government.

Q.—Do you mean to say not of those concerns to whom the Industries department grants aid?

A.—No. But sometimes in other provinces we have been asked to do that. We do all sorts of work which we can do. For instance generally if the work is of a nature for which a knowledge of commercial accounts is not necessary the Accountant-General is called in. He is generally the financial auditor to Government.

Q.—Your men should possess an all round knowledge of commercial accounts?

A.—We have not got very many private commercial concerns to audit.

Q.—Let it be one. You will be asked to examine its accounts. Is it not?

A.—If we cannot do that we will say we cannot. Our duty is only to audit the accounts of the Government commercial concerns.

Q.—What we are trying to arrive at is whether you can bring about a system of audit which will include all the present systems of audit?

A.—That is you want to officialise the audit agency of all the concerns.

Q.—You said a little while ago that the Government has an idea of establishing a society of auditors and accountants by statute?

A.—The Government have got a Bill before the Assembly to set up a Board of Accountancy and that Board will open up a register in which the names of the persons qualified to practise will be entered and only the certificates of those people whose names are entered in that register will be accepted. I believe that is the idea.

Q.—Is it not necessary that all the men in your service should have got accountancy qualifications?

A.—It is not necessary that our men should be recruited from people who possess that qualification. Because the head of the department is at present a chartered accountant it does not follow that the gentleman who succeeds him will be a chartered accountant. Being a new departmental venture of the Government of India they brought out a chartered accountant, that is all.

The Chairman: There is no reason why the head of the department should be an auditor at all? It is an administrative post?

*A.—*We had our acting Director of Commercial Audit who was only an I.C.S. It is purely an administrative post. If he has a knowledge of accountancy, that is an added qualification.

Mr. Gopala Menon: What is the merit by which these certificates, permanent and temporary, are issued by the local Government?

*A.—*The number of people who have got permanent audit certificates will not be sufficient to audit all the companies, and so the Government delegates the powers of auditors to people whom they consider qualified to audit. In England accountancy is a free profession. Only now, a few days ago, they have appointed a committee to make recommendations for the registration of accountants. There, there are so many bodies of accountants.

*Q.—*But most of the auditors are from those who have passed the examination of the Chartered Accountants or the Incorporated Society of Accountants and Auditors?

*A.—*Those are the two senior bodies, but there are probably 2,000 to 3,000 accountants who have not such qualifications at all. Suppose there are 5,000 banks and only about 30 such qualified accountants. Then it cannot be laid down in the Act that all those banks should be audited by those who are thoroughly qualified men. Hence temporary certificates will have to be given to men to do that sort of work. About 15 years ago the Government were giving certificates to retired people of the Accountant-General's office and those of the Public Works Accounts Office and to those whom they considered, had the necessary qualification and training. It was some years back that the G.D.A. examination was instituted and even then they had to grant temporary certificates to unqualified people. With regard to the qualifications of persons with temporary certificates and permanent certificates they are the same, only the temporary is granted for one year and the permanent for all time.

*Q.—*A G.D.A. candidate after he has passed the examination and after putting in three years' articles under a qualified accountant and auditor is eligible for a permanent certificate, I suppose?

*A.—*It is a matter to be enquired into; I am not aware of it.

*Q.—*Apart from the G.D.A. examination there are examinations held in book-keeping, banking, commercial law, etc., under the Government technical scheme. I presume you are aware of it?

*A.—*I have heard of it.

*Q.—*You know the Institute of Commerce in Madras is training candidates for the G.D.A. examination and the Government Technical Examinations?

*A.—*Yes.

*Q.—*It is possible to widen the scope of that institute?

*A.—*Not for the supply of accountants for the various Government departments. The requirements of the Government are entirely different. That training can only be given in an audit office. I do not think that this school will be suitable for providing recruits for the Accountant-General's office.

*Q.—*That is because the Government system of keeping accounts is not taught there?

*A.—*Yes.

*Q.—*What I want to know is whether we can get an institute where almost all accountants and auditors can be trained up?

*A.—*I do not think we can have that. The Government Accounts department cannot look to this source only. The officers of the Indian Audit and Accounts Service are not recruited from chartered accountants. Men are recruited in open competition and then afterwards training is given to them.

*Q.—*What I mean is that cannot we give a course of training in theory and if possible in practice in an institution before the men are taken up to the office?

*A.—*They can only get instruction in theory in commercial book-keeping and not in Government book-keeping.

*Q.—*Do you think the Co-operative department is part of the Government?

*A.—*Yes.

Q.—The auditors who work there are trained in institutes?

A.—I do not know.

Q.—There are now so many institutes started to provide men for audit in the Co-operative department. Is it not possible to train men similarly for the Accountant-General's office or for the Local Fund office audit?

A.—I do not know. My opinion is that it will not work.

Q.—Suppose this Committee recommends that not only the joint-stock banks but also indigenous banks should be audited by trained auditors we want men to be trained to carry out such work?

A.—That can be done.

Q.—If that can be done why not for every other purpose, including Government audit?

A.—Government audit hinges on Government administration and Government policy. The scope and extent of audit and the volume, etc., are all now in the melting pot and liable to frequent changes. For example, the Government have now got on hand a scheme for the separation of audit from accounts. The particular system of training given in the institute in my opinion, will be of no help. The best training a man gets is in the office.

Q.—Is it your opinion that the Institute of Commerce cannot be used for that purpose?

A.—Commerce is different from Government accounts, if the Government have an institute of their own that can be done.

Q.—I do not want that particular staff to teach, other staff can be recruited.

A.—We have now got several kinds of accounts, postal accounts, railway accounts, military accounts, telegraph accounts, public works accounts, civil audit, local fund audit, etc. Teachers will have to be required for all these. Then Government records also will have to be brought in and I do not think that it will be a very successful venture.

Q.—Who now controls the joint-stock companies' accounts?

A.—I believe the accounts are audited by qualified auditors and the Registrar of Joint-Stock Companies files them.

Q.—Do you think that it is satisfactory?

A.—That depends on the policy of the Government.

Q.—Do you think that men with commercial knowledge and acquainted with book-keeping and commercial practice are necessary for checking these accounts? Do you think the Registrars have not got that knowledge?

A.—The Registrar of Joint-Stock Companies will be able to say what scrutiny is exercised in his department.

Q.—We want trained men to scrutinize balance sheets in his office?

A.—That is not audit?

Q.—At least it is considered to be audit. You want men for that purpose and they must be trained somewhere before they are recruited for that sort of work. Do you not think that such trained hands should be attached to his office?

A.—It depends on the degree of control they want to exercise over private concerns. If they think that the concerns are all right they can leave it to themselves. The legal liability of the auditors is there and that is enough.

Mr. Thomas: You spoke of the separation of audit from accounts. Has it not been put into operation in some provinces?

A.—As an experimental measure it has been put into practice in one province. The Central Government have already carried it out in some departments and it has been introduced in the United Provinces also.

Q.—Has it not been started in Madras?

A.—No.

Q.—Have you had any experience of audit of joint-stock companies either in this Presidency or elsewhere?

A.—I have had no personal experience.

Q.—In spite of auditing carried on by certified auditors cases of defalcation have been taking place and the auditors were not able to discover them?

A.—Yes. We have read in the papers the case of the Bengal National Bank and some years ago there was also the defalcation in the Imperial Bank of India, Madras.

Q.—What proposal would you make to remedy that?

A.—Even in Government concerns there have been cases of failure of audit, but it depends on the frequency of these failures and also the magnitude. If the Government want to lay down a policy it is open to them to institute a super-audit of their own in addition to the statutory audit which is now required to be conducted by qualified auditors.

Q.—Is the provisions now contained in the Indian Companies Act sufficient to secure the interests of the depositor in the joint-stock banks?

A.—I cannot give a personal opinion, because I do not know how far the failures of audit are common.

Q.—From the case of defalcations that have come to light, it is clear that the present system of audit is inadequate. Is that not so?

A.—Possibly more stringent measures for tightening the control are necessary.

Q.—How can we effect it with least expenditure to Government?

A.—Of course, it will be expensive but the cost may probably be recovered from those banks or auditors.

Q.—Would it be possible for the local Government to have its own auditors or get the help of the auditors of the Central Government?

A.—It is a matter to be considered. We will be willing to take it up, but that is my personal opinion and I do not thereby commit the Director of Commercial Audit. But it is a question whether it is advisable for the Government to undertake the legal responsibility. Supposing the Government employ a staff and they do the audit and if any defalcation has occurred we have to consider how far the Government will be legally responsible for the defalcation. That is an important point to be considered.

Q.—So there are risks in the Government undertaking this work?

A.—Certainly.

Q.—What other agency can undertake this audit?

A.—Perhaps for some time until the level of efficiency is increased probably some kind of Government intervention is desirable. It is advisable for a few years, say for ten years for the Government to have some sort of supervision of the audit. The local Government may have power to require one of their qualified auditors or another auditor whom they name to conduct the audit once in two or three years and furnish them a report as to the financial state of the concern.

Q.—You were speaking something about the training of these auditors. Is the present theoretical training given to the students of the G.D.A. class sufficient?

A.—Yes, the theoretical training given is good enough and compares well with that of the Incorporated Accountants and that of the chartered accountants.

Q.—Is it possible to have a higher kind of commercial training, say a carefully drawn-up B. Com. course?

A.—The B. Com. degree is not an all-India degree and that is why the Government are just now thinking of setting up an Accountancy Board. Moreover, in the B. Com. degree there is much that is not quite necessary, for the accountant.

Q.—With regard to audit of accounts in the vernacular do you think that there is any difficulty?

A.—No. At present books kept in the vernacular are being examined for income-tax assessment. If the accounts are kept in Guzarathi then they appoint one Guzarathi to scrutinize the accounts. But that is for carrying out detailed audit. But if Government are going to restrict the scope of their activities and conduct the audit from a broader point of view namely seeing whether the reserve fund is sufficient and so on then there is not so much necessity for persons knowing the vernacular.

Q.—What are the different kinds of audit?

A.—There is the mechanical audit and the higher audit. But the auditor is not an insurer. Because he has conducted an audit it does not follow that the books are perfect that there is nothing at fault.

Q.—You have some idea as to what kind of audit is now carried out by the certified auditors?

A.—I have no idea. I have also not carried out any such audits personally. Most of the well-to-do banks have auditors of their own who conduct the internal audit and the statutory auditor comes and verifies whether that audit has been done well, verifies the balances, sees whether the securities are allright, and then certifies the balance sheet as correct.

Q.—I suppose you have audited the accounts of the Kerala Soap factory?

A.—Yes.

Q.—What do you think about its prospects?

A.—Its business can be extended if the Government will encourage its other departments to place their orders with them.

Q.—Could the cost of production be reduced?

A.—If the output is increased, then the cost of production will be less, the overhead charges remaining the same. They are not turning out at present the maximum economic output. I had been recently there and I found that the orders were not sufficient for full work. If they could get some more orders then it will work very successfully.

The Chairman: If other departments could get their own soaps from somewhere else at a cheaper rate?

A.—Even then it will pay the Government and those departments to buy from this soap factory.

Mr. Thomas: If the Calicut Soap Institute cannot sell soap as cheap as other concerns then it means either that the management is not so efficient or that some external combine is dumping its soaps here?

A.—Possibly.

Q.—Looking into the accounts of the concern do you think that its prospects are good?

A.—Yes, if they can secure more orders. That is clear from the accounts.

The Chairman: Have you any experience of the soap trade?

A.—No.

Mr. Thomas: You are only speaking from the examination of accounts?

A.—Yes. The figures show that last year the soap factory made profit on account of the orders from the Military Department. But the figures after that show that there is a loss.

Q.—Suppose the Government sells it off to a joint-stock concern. Do you think that it can then be run more economically?

A.—That I do not know. Probably then a manager can be had for a cheaper rate of pay and the private company might be able to do with a smaller salaried staff. Again the Government have got to pay pension, and Government have got their own policy in regard to the pay and allowances of the non-gazetted staff. Probably a private man would not have regard to all these considerations. There may be certain factors which make Government management more expensive.

Q.—In regard to the fisheries?

A.—I have no personal knowledge. It was done by Mr. George and I had no occasion to go through the figures.

(The witness then withdrew.)

Friday, 21st March 1930.

MADRAS.

P R E S E N T :

MR. H. M. HOOD, I.C.S. (*Chairman*).

MR. P. J. THOMAS, M.A., B.LITT., PH.D.

MR. C. GOPALA MENON, M.L.C.

MR. H. F. P. HEARSON, M.L.C.

**M.R.Ry. V. C. RANGASWAMI Avargal, B.A., and M.R.Ry. Rao
Sahib V. KRISHNA MENON Avargal, B.A., Central Urban
Bank, Limited, Madras.**

Oral evidence,

The Chairman: What is the object of the Madras Central Urban Bank?

A.—It is to co-ordinate the funds of the Presidency and to facilitate credit.

Q.—It is there in the interests of the members of the co-operative societies. Is that statement not fair?

A.—Yes, it is in the interests of the co-operators.

Q.—Either rural or urban?

A.—Largely for rural.

Q.—At present the business that it is doing is purely receiving deposits and giving loan to the district banks and incidentally gives loans to the individual shareholders on the security of their shares. Is that not?

A.—To the shareholders and depositors.

Q.—It is not doing any business on discounting bills?

A.—Not at present.

Q.—Any suggestions that it should?

A.—For some time past it has been suggested by me to the Board of management, but they have not considered the proposition. They think that in view of the fact that the Banking Enquiry Committee is sitting and that the Central Banking Enquiry Committee will also go into this matter, this subject be postponed for some time pending the Committee's recommendations.

At the last meeting of the Directors, there was a proposal of extending the scope of the business of the bank and it was proposed that the bank should advance money on crops, but the proposition was vetoed. There was also the proposition by one of the members of the Board asking for advances beyond the borrowing capacity in cases where monies were advanced on security of crops and the matter was referred to the Registrar and the Registrar said that at present it was not contemplated that the central banks should be permitted to borrow beyond the borrowing limit to stimulate holding of crops for favourable prices.

Q.—When you speak of advancing on crops you mean produce in godowns?

A.—Yes.

Q.—At present most of the central banks have a fairly considerable margin of borrowing power?

A.—The question was raised by the Ellore Central Bank.

Q.—But the borrowing power of the society disappears when the produce is put into the actual possession of the lender?

A.—Yes. That is the tenor of the circular of the Registrar. My recollection of the discussion that took place was that the Registrar said that the Central Banks should not be allowed to borrow beyond their maximum capacity even if such borrowing was on the pledge of produce stored in godowns.

Q.—That is recognized as a legitimate agricultural co-operative business?

A.—Yes. It is becoming more and more apparent that during certain seasons of the year large amounts of capital get concentrated in the hands of the provincial bank and it is found that there is no profitable method of investment for this large capital, and the only source that is available is either to deposit it with the commercial banks or to purchase Government of India securities. But the unfortunate position is that Government securities are declining in value so rapidly that the provincial bank which has invested a very large proportion of its working capital in Government securities are being put to the necessity of writing down very heavily on its capital holding. It was found on the 30th December 1929, when it had to value its assets, the amount of depreciation on Government securities worked up to somewhere near Rs. 4 lakhs.

Mr. Thomas: Out of a total of?

A.—Rupees 68 lakhs.

Such being the case I think it is but reasonable that the provincial bank should find out other methods and means of investment of its funds for short periods so that it may not entail any loss upon the large amount of capital it has got to collect to carry on its legitimate business of providing finance to the various co-operative organizations. It is found, I am speaking subject to correction, in the Nordon Bank in Moscow, that institution is permitted to discount bills and enter into foreign transactions for and on behalf of the co-operative institutions that are affiliated to it. They sent us some of their reports a couple of years back.

Q.—But do you suggest that Moscow is a good model?

Mr. Rangaswami: Let it not be judged by the political conditions existing in Russia. It has been admitted on all hands that co-operation has advanced very largely in Soviet Russia.

Mr. Krishna Menon: When the question of the extension of the activities of the Central Urban Bank was considered at the last meeting of the Directors, I was one of those who objected to any expansion. It was proposed to lend on any securities but I was against it. It is not so much money that is required but a proper system of finance. That the present system is bad had been found out during the last 20 years and from our experience of that some alteration is required. With regard to the system of financing agriculture, the mere creation of societies for lending without any regard to the object for which money is lent is the real cause of the trouble. Half of the loan if not more is utilized for the payment of prior debts. This portion does not bring in any increased crop. What is wanted is the output or income from the land should be increased. The whole of the money that is at present available in the co-operative banks would be exhausted if we had financed the crops. Even now I do not think all the district banks know how to finance the crops.

Q.—What is the period of the year during which you say the funds are idle?

Mr. Rangaswami: A.—The agony starts in May and goes on continuing till October and even November. What happens is during the busy period about November or December there is unprecedented rush for money. At present there is an unprecedented demand on the provincial bank and since November 1929 we have lent Rs. 45 lakhs.

Q.—It has been borrowed to pay the sowcar?

A.—I find that a good portion of it has gone as loan against produce.

Q.—It means the ryot is badly in need of money and he cannot hold the produce unless he has money?

A.—Yes.

Mr. Gopala Menon: Through whom have you lent that Rs. 45 lakhs?

A.—Through the district banks. Owing to this demand our resources have been strained to the extreme and we have trenched even upon our fluid resources.

During the months of June, July and August when the ryot requires money during the sowing season the borrowings from the Central Banks are not good.

Q.—When is this money going to be repaid?

A.—Repayment to us starts in July. There is first the collection towards the close of the co-operative year. Then repayments come in steadily so that in August we find ourselves absolutely submerged in surplus.

Q.—That is at the time the ryots are taking cultivation loans?

A.—Generally it seems to me that cultivation loans are small in volume when compared with the amount required during the busy season for advancing on crops and for payment of kist.

Q.—Why is that?

A.—Cultivation expenses are not heavy.

Mr. Krishna Menon: The whole system of long-term loans must be knocked on its head; we cannot afford to give long-term loans at all. The moment a new society is started people must be educated to take only short-term loans and they should be clearly told that amounts will be lent to them for cultivation expenses only. Now they take very little loan from the co-operative banks for cultivation expenses.

Mr. Thomas: What are cultivation expenses?

Mr. Ramaswami: A.—Expenses incurred for purchase of seed, for ploughing, and for manuring. In some districts money is also borrowed for purchase of cattle especially where there is lift irrigation, when cattle are changed almost every two years. Some cooly labour when engaged has to be paid and this payment may be included in cultivation expenses.

Q.—At the harvest the crop goes to the creditor?

A.—During the period from January to March there is very heavy demand for money. The harvest is gathered during December and January and sometimes it goes on in February also. People want to make a higher profit by sale of their produce and they like to hold up the produce till July or August when the price of paddy is at its maximum. But the creditors will be pressing them for money on the thrashing floor and it is for meeting that demand that they very largely borrow money.

Q.—For what purposes are they borrowing money?

A.—To hold the produce for a better price and pay the men from whom they have borrowed. Probably Rs. 35 is the amount that will be the cultivation expenses for one acre, but I am not quite sure.

The Chairman: Am I right in saying that in the co-operative bank the agriculturist is not able to get the money exactly at the time it is wanted?

Mr. Krishna Menon: A.—There is a certain amount of delay. That is the root of the whole trouble. The co-operative society is composed of a few well-to-do people and some poor people. The borrowing power of the society may be Rs. 2,000 to Rs. 3,000 and it is very seldom that the poor cultivator who is a member gets some money. Secondly they do not get it in time because they get loans once or twice or three times a year and that never goes for cultivation expenses. The nature of the loan precludes its being used for cultivation expenses. Whenever they want they must get the money for cultivation expenses. That is impossible under the existing conditions.

Q.—There must, at the same time, be some check on their borrowings?

A.—My idea is that all their prior debts should remain because we cannot clear it altogether.

Mr. Thomas: But the interest on old debts is heavy. You must convert such debt at a higher rate of interest into a new debt at a lower rate, is it not so?

A.—We will lend them only from 2 to 3 years at most.

Q.—You say 20 times the land revenue is the debt of an agriculturist and 1/10th of the produce is the land revenue. How many years will it take for him to pay off that debt?

A.—But here the whole of the produce cannot be utilized for the repayment of that debt.

Q.—It amounts to this then; the land mortgage banks are needed to enable ryots to repay their loans, for co-operative loans should be utilized for financing present produce and not for repaying old debt?

A.—Yes.

Q.—But is there no difference between a prior debt which can be repaid in 2 or 3 years and other prior debts which will take many years to clear?

A.—That is a different matter, what I mean is the prior debt that has been accumulating for ages.

There are generally three charges on the crop. The first is the cultivation expense, secondly there is the living expenses of the agriculturist and his family and then comes the other debts incurred.

Q.—After paying interest there is nothing left for the ryot?

A.—In most cases it is so. Take for example a ryot having a debt of Rs. 500 and owing three acres of land. He gets out of it a net income of Rs. 120. From this he has to keep himself and his family going throughout the year and has to pay interest on the loan as well as redemption charges.

The Chairman: The general position is this: the co-operative bank can lend a certain amount of loans for five years provided an equal amount is lent on very short terms.

A.—Yes, that is a compromise. Even to that limit it has not been worked out in the interior. There the societies have not been educated to realize the value of short-term loans. There is this difficulty; suppose a ryot has taken money from a sowcar. How is he to disentangle himself from that man in order to go to the society.

Q.—It is a vicious circle and you do not know where to start cutting?

A.—Yes, exactly.

Mr. Thomas: But unless you somehow redeem him from this previous debt, you are not going to achieve much?

A.—Unfortunately if you carefully analyse the position 30 to 40 per cent of the people cannot redeem their old debts. No system of credit will be able to redeem them from those debts. The co-operative societies also will not be able to take it.

The Chairman: The point is this. Is there any indication of the funds being more used for short-term purposes?

Mr. Krishna Menon: A.—We must entirely remove the possibility of borrowing for prior debts. The by-laws must be changed altogether, if not they will abuse it. This money cannot be utilized for that purpose.

Mr. Thomas: Is it not possible to classify old debts as easily redeemable and those not so redeemable?

A.—If the crop is pledged to a prior debt, by all means that debt can be redeemed. But it cannot be so in the case of an accumulated debt of 30 or 40 years.

Q.—At any rate small debts recently incurred may be taken over by the co-operative societies?

A.—Provided the debts can be cleared in the succeeding year.

Q.—Supposing the co-operative society asks a ryot to repay a loan in three years, the produce being taken by the co-operative society which sells the same pays itself and possibly kist and gives him the balance?

A.—Even that can be done to a certain extent. But it is only as a compromise I say. The correct and the proper thing is to advance on the crops of the present year. If under the circumstances owing to failure of crops due to want of rain or other unavoidable causes the amount could not be realized from the crops then the period may be extended as a compromise.

Mr. Rangaswamy: With regard to this question of long and short-term loans the voice has got to be heard that the co-operative societies have got to finance the agriculturist for his agricultural industry and the demand here is not only for short period loans but for loans for intermediate periods. For instance the purchase of cattle is an absolute necessity and in dry areas like Cuddapah a pair of cattle purchased for Rs. 600 will be of no use after the first two years. In such cases the ryot has to be advanced Rs. 600. He would not find it possible to return the amount in one or two years and so you have to give him a long-term loan for four or five years. That question always arises in places where heavy amounts have to be spent for the purchase of cattle. Without the cattle they cannot raise crops in very many of these places and the deterioration of cattle is due to the special method of using them for lifting water.

Mr. Krishna Menon: Half of the trouble arises from the deterioration of cattle. The normal period of usefulness of a pair of bullocks is 18 years if they are properly attended to. But now the average is three years in the interior. All these are economic troubles which make the ryot insolvent practically. Half the number of families in Malabar have been ruined by the purchase of cattle in the last four or five years.

The Chairman: Mr. Menon, can you suggest any improvement?

A.:—I am an extremist in regard to this. At present the possibility of borrowing is so wide; but we must curtail the power to borrow and must give the first chance for crop production.

Q.:—There is the difficulty of getting money quickly. How do you propose to get over that?

A.:—At present all these money-lenders in the interior get the crops on pledge and are able to realize the money. In the same way we must also have a legal hold on the crop. Now, for instance, let us take the case of a society which is newly started. There is no use of lending Rs. 3,000 or Rs. 4,000 in one lump sum. The new society can be given a cash credit to be utilized for lending to members for the production of crops. Before the members are admitted their normal requirements for the production of crops are to be ascertained and registered. The panchayatdars of societies should meet these requirements from the cash credit without waiting to get funds through formal loan applications. The full amount of cash credit may be secured by society's pro-notes.

Mr. Rangaswamy:—You have got to divide the borrowing power of the society into two watertight compartments, one for time loans and one for cash credit to be available whenever it wants it. That of course presupposes very careful supervision and prompt collection. There must be some agency to see that the amounts are collected on the due dates. There is absolutely no incentive on the part of the ryot to return the amount on the due date.

Mr. Thomas: What is the agency that you are thinking of for the collection of the amounts?

A.:—A well-paid efficient agency. What does the sowcar do to get back his money? He waits till the time of the harvest and then there is his man on the spot to realize the money. So also we must have a well-paid efficient staff whose duty it will be to go to those places at the time of the harvest to realize the money.

Q.:—You cannot ask the ryot to sell the produce immediately it is harvested. Will that not mean a loss to him? On the other hand should not the co-operative society help him to hold out his produce and sell it at the highest available price?

Mr. Krishna Menon: I will tell you in regard to that. Of the 600 societies in Malabar only one society has employed this method successfully. The moment a society was formed for selling arecanut, the members paid all their arecanut in time to that society. The moment it is transferred to the loan and sale society their loans are practically cleared. The loan and sale society send the produce in its own time to the different places.

The Chairman: Mr. Rangaswami, you were suggesting that the work of the society should be divided into two departments, one for cash credit and the other for long-term loans. But cash credit implies that the bank has always to keep that cash available?

Mr. Rangaswami: Quite so.

Q.:—What is the extent of the cash credit?

A.:—It must be a full year's requirements for the whole society.

Q.:—But the department was suggesting that it should only three or four months' credit and you have to take a rough estimate of the requirements of the next three or four months. Will that not do?

A.:—It would not work very great hardship.

Q.:—According to your suggestion the amount of money which the central bank would have to keep in a fluid condition would be a very large amount. Is that not so?

Mr. Krishna Menon: But the correct method of cash credit requires that the money must be coming back from the societies to the district bank.

Q.—It is questionable whether there will be enough money with the central bank to meet the whole demand?

Mr. Rangaswami: The amount required will be very large and there will be some strain.

Q.—That was one of the main reasons that induced us to put forward the other suggestion that the societies should calculate their requirements for the next four months and get the amount necessary?

A.—In the case of the commercial transactions there are the same difficulties but there they are able to get over the difficulties.

Q.—Their business is much more cut and dry. They can foresee much more clearly and give loans only on certain securities available at the time. Is that not so?

Mr. Krishna Menon: There they deal with the question of marketing and transporting but in the case of the co-operative society the question is more in regard to production.

Q.—In the case of the co-operative society am I right in saying that you are lending money on every conceivable paper in all seasons of the year?

A.—It all depends upon the total volume of produce. It is very easy to calculate the requirements of the ryots if we had been very careful in starting the society.

Q.—Really you can keep them within their normal requirements?

A.—Yes.

Q.—Do you think it would be possible to work up the business of short-term loans by proper calculation?

A.—Yes. But unfortunately we did not do the correct thing at the beginning and that is the whole trouble.

Q.—I take it that the business in discounting bills in provincial banks is somewhat easier business than lending money for cultivation expenses?

A.—The moment the society does that, all the attention of the members will be diverted to the dividend that they will get.

Q.—At present the difficulty is though it is easy to give loans it is not so easy to collect them?

Mr. Rangaswami.—The amount does not come at the time that they are expected to be repaid.

Q.—Is that not done in Bombay?

A.—Yes, it is being done in the Bombay Provincial Bank to a very large extent. The information I had is to the effect that their total business came to Rs. 70 lakhs to Rs. 80 lakhs during the year before the last and for a turnover of Rs. 2 crores seventy or eighty lakhs is not too much.

Q.—Do you think it is better to copy Bombay?

Mr. Krishna Menon: The agriculturists have no system of short-term credit similar to that for the traders. Except the pro-note of a co-operative society there is no other short-term credit available for the ryot. But in the case of the merchant there is the hundi, the bill of exchange. They are all discounted in the commercial banks. There is credit available from the Marwaris and the sowcars we know. It is injurious to the ryot. My point is that we can discount the hundis provided the hundis are granted by the agriculturists.

Mr. Thomas: What is the kind of agricultural paper that you are speaking of?

A.—Suppose I am a pepper cultivating ryot. I may require for the next three or four months Rs. 400 or Rs. 500. I must be able to draw a bill which will be discounted by any of the banking concerns.

Q.—But is the hundi the same as a pro-note?

A.—It is as good as a pro-note.

The Chairman: What is it based on?

A.—Agricultural produce.

Mr. Gopala Menon: Who is to judge of the repaying capacity of the holder of the produce?

A.—The primary society should accept the security.

The Chairman: What is the security?

A.—What is the security now given by a member when drawing a pro-note? There will be the same security.

Mr. Gopala Menon: Will you limit such transactions?

A.—Yes, up to the value of the price of the produce and the primary society will be made responsible for such advances.

The Chairman: How can you enforce the responsibility?

A.—How is the agricultural loan now secure? The same thing should apply in the other case also.

Q.—Then you are simply making a pro-note a hundi. Is that not so?

A.—In the case of the hundi there is a fixed time for payment and it can be negotiated and discounted in the regular banking system.

Q.—Why can you not discount a pro-note?

A.—Who will discount our pro-notes now? Is there a banking institution in this country which will discount our pro-notes?

Q.—How can you discount a demand pro-note?

Mr. Rangaswami: By the nature of the instrument it cannot be discounted because of the indefinite period of the pro-note.

Mr. Krishna Menon: If you create facilities and give the ryot as much banking facilities as you give to a trader then he will prosper.

Q.—What is the occasion of the discounting by the primary society? Why not it lend the money straight away?

A.—The lending of money has produced all these troubles of misuse of funds.

Q.—What I do not follow is this. What advantage do you get by executing a usance hundi or pro-note which will fall due when the crop is harvested?

A.—The same advantage which a trader has, provided, he sees that the hundi is honoured in time.

Mr. Gopala Menon: The District bank can discount it with the Provincial bank and get money immediately for granting loans?

A.—Yes.

The Chairman: Will any outside body discount such hundis?

A.—It has been considered that trade bills alone are discountable.

Q.—In the case of trade bills you have got a definite property; but in the case which you contemplate there is at the moment no property but you are only going to have it at the end of three months. Is that not so? In the case of trade bills, you have got a definite existing property in existence in the process of trade at the moment, and it can be sued upon at the end of three months if the bill is not honoured. But in the case of the hundi drawn by the agriculturist there is no definite property for the moment. Is that not so?

A.—You speak of the uncertainty of the crop.

Q.—There is another point too. In the case of the trade bill the trader cannot very well get away from that. But in the case of the crop what has been told us in Coorg by most of the witnesses is that in a number of cases the man who takes a loan on the pledge of crop sells the crop to somebody else.

Mr. Gopala Menon: Cannot that be avoided by taking a letter of hypothecation along with the bill?

A.—Let the society take some other security also.

The Chairman: For what purpose has the loan to be given?

A.—For maintenance and for cultivation expenses.

Q.—For maintenance you are in difficulty. But for the cultivation of the crop may I suggest that at the moment there is a bill before the Government. Suppose you make a definite charge on the crop for any co-operative loan, would that not be sufficient?

A.—I think it will.

Mr. Gopala Menon: What is suggested is an agricultural paper. The society is now advancing money on the crops. But instead of that you want the money to be advanced in the form of an agricultural paper supported by any other security in the shape of the letter of hypothecation or things like that. The question is whether that is possible.

A.—Yes.

The Chairman: The whole point is that you think that a paper of that sort might be discounted with the district bank and then re-discounted with the provincial bank. But that alone does you no good. You must be able to discount it outside as well?

A.—Yes. At present the trouble is due to the development on one side only, that is the side of marketing and transporting and the side of production has been ignored.

Mr. Thomas: In regard to the point of taking the crop from the ryot you would suggest that each primary society takes charge of that or would you concentrate that work in the loan and sale society?

A.—In some cases it is not possible to put the whole thing on the loan and sale society. You can have the loan and sale society only for the commercial crops and that too if there is any surplus. But it is better to have some sort of control given to the society.

Q.—Would you also advocate the system of the co-operative society paying the kists?

A.—All this will follow if the system is complete.

Q.—Then the Government too will be considerably benefited?

A.—Oh yes, but the foundation must be all right.

Mr. Rangaswami: I think that in the Circars and in certain other places the kist is being paid jointly.

The Chairman: There is one thing I should like to refer to and that is, is the statement regarding the sale and marketing of tobacco in your memorandum based on any personal knowledge?

Mr. Rangaswami: A.—When the reply to the questionnaire was considered by the directors, one of the directors gave out that as from his own personal knowledge.

Mr. Thomas: You also mention something to that effect in your written evidence; you say "In their avidity to get ready cash, the cultivators are handicapped on account of the fact that the exporting houses and their representatives fix the price so low that the difference between the rate agreed to by the cultivators and the rate that prevails in the market is unfavourable to the latter". To which crop do you refer to?

A.—When I wrote that I had in my mind the groundnut crop. When the crop is in the fields the exporting houses go on advancing money to the cultivator and the price at which the crop is to be delivered as soon as it is harvested is fixed beforehand irrespective of what the price will be at that time. In every many of such cases I have been given to understand the price given is from Rs. 5 to Rs. 8 less per unit and the unit is one 'pothi'.

Q.—Does it apply also to tobacco?

A.—About tobacco I am not aware.

Q.—But the Committee needs information about tobacco also?

A.—Certainly the Banking Enquiry Committee can go into the finance and marketing of tobacco.

Q.—But I should have expected that since the M.C.U.B. made that statement in the reply to the questionnaire its representatives would be able to substantiate it?

A.—That statement was included there by one director who said that it was based on his personal knowledge.

Mr. Gopala Menon: You say in your memorandum that the total expenditure required for cultivation expenses is between Rs. 30 and Rs. 40 crores. I want to know what percentage of the agricultural population stand in need of loans?

Mr. Rangaswami: A.—It is only the small holder who stand in need of loans for agricultural expenses generally those holding between 1 to 5 acres.

Q.—Have you any idea as to the percentage of such persons?

A.—I think about 60 to 70 per cent of the agriculturists are those holding between 1 and 5 acres.

Q.—Can you state the sources from which these people draw their finances at present?

A.—The main source from which they get money for their cultivation expenses is the village money-lender. Next comes the well-to-do ryots and next comes the village bazaarman who combines in himself the business of a buyer and seller of produce and a small banker. Then come the itinerant produce brokers who are agents of other bigger houses.

Q.—But the last class of men finance internal trade.

Mr. Rangaswami: A.—After that come the indigenous banker who plays the role of a universal supplier to the cultivator; he lends money, carries on trade, sells raw materials to be converted into manufactured goods and from the artisans get back the finished goods for sale. All these business are combined in one man.

Q.—And only lastly come the co-operative society?

A.—Well, in very many cases the cultivator himself goes to the co-operative society only last. The readiness with which the ryot gets his loans from the indigenous banker or the village money-lender without much of formalities induces him to go there.

Q.—What is the extent of the part played by the co-operative societies in this financing? Your bank must have had some information?

A.—I have not worked out any statistics.

Q.—What is the extent to which the co-operative societies have touched the ryots?

A.—Now the capital of all the co-operative societies is 7 crores. The cultivation expenses for which finance is required is 40 crores. Out of these seven crores, say, about half is spent in clearing old debts. Then only about 3 or 3½ crores is used for cultivation expenses. Thus it is only about 1/15th part of the finance that is required which is met by the societies now.

Q.—So in your opinion you think that a great deal more is required?

A.—Much more.

Q.—Can you give any suggestion as to how this demand can be met because the co-operative societies have touched only a small percentage. What other agency will you suggest?

A.—I would suggest the greater extension of the co-operative agency itself.

Q.—In your own (Mr. Rangaswami) memorandum you state that 26,000 villages are yet unserved by co-operative societies. Can the co-operative agency be extended to those villages or will we have to bring in some other financing agency or organization to help them?

A.—Co-operative societies can be extended.

Q.—Now there is the village money-lender and the co-operative society. Can any sort of co-ordination be brought into being between the two?

A.—The ideals of the two are quite different and how can there be any co-ordination between them? The only way by which we could improve the economic condition is by the extension of the co-operative societies.

Q.—Do you think that the present primary societies have justified their existence by meeting the needs at least of the small ryots in a locality?

A.—In certain villages they have done so. In one village in Chingleput I know the people of the village have no debts other than those to the co-operative society. In very many areas existence of the co-operative society has brought down the prevailing rate of interest.

Q.—Do you think that there is work for these ryots throughout the year?

A.—They do not have work and it is absolutely necessary to find out some sort of work for them in their leisure time.

Q.—You want finance for that too?

A.—They do require finance. You can work it through the co-operative societies, at least as an experiment for some years. In the Salem district it is being done, the ryot is being financed for the purchase of cotton for spinning.

Q.—You want to finance them for redeeming their prior debts and also for effecting permanent improvements?

A.—The relieving of prior indebtedness can be done through the land mortgage banks, an institution which could attract capital and deposits for long periods and lend it for longer periods.

Q.—I wish to know what the directors of the bank have done in order to increase or organize primary societies in the villages where it is not existing at present?

A.—The directors of the M.C.U.B. have not organized any society and they have been dependent on the co-operative department to do that work. The M.C.U.B. deals only with district banks.

Q.—Have the district banks undertaken any work in that direction?

A.—The Central Banks have not undertaken any definite work to increase the number of societies whereas I find that there is a movement to improve the existing institutions by rectification and consolidation.

Q.—You have told us that it is necessary to find out agencies for financing the money to the ryots: The progress of the co-operative societies is slow, but you say it can be done only by the extension of the co-operative societies. Do you not think the directors of the M.C.U.B. should put their heads together and send out an officer to examine the present societies and for removing any defects and organizing societies in those 26,000 villages?

A.—The idea that prevails now seems to be that by a careful examination of the conditions now existing in the society and pulling them up and also extending its transactions a larger amount of revenue would flow into the society that will enable the society being kept in an efficient condition and also provide funds to start new societies.

Q.—That must be done by some agency?

A.—Yes.

Q.—May I know whether the district banks or the Central Urban Bank have considered this question and set apart some funds for improving the societies and for extending the number of societies?

A.—Yes, we have a fund for that purpose. We have recently lent the services of one officer to the Salem District Bank to watch the progress of the extension and the consolidation of the movement that is taking place there.

The Chairman: Do you give a contribution to the bank or do you pay to that officer?

A.—We pay to the bank. The matter was considered at one of the meetings of the board also, but the whole thing has not yet crystallized. It is in a nebulous stage now.

Mr. Gopala Menon: In this work of reconstruction do you expect any help from indigenous bankers?

A.—I do not believe any help will be coming from them.

Q.—The indigenous bankers have been living in the village for ages together and do you not think they will be able to deal with the ryots in a better manner?

A.—Very likely.

Q.—They have been advancing money to the ryots even without any security?

A.—Advances are generally made by them with an eye to snatch away the property sooner or later.

Mr. Thomas: Do indigenous bankers want property?

A.—They do. I know so many Nattukottai Chettis who have lent money on mortgages and taken the property.

Q.—But is that practice not declining now?

A.—Yes, to some extent.

Mr. Gopala Menon: What is the smallest amount advanced by a co-operative society to the ryots?

A.—Rs. 20.

Q.—Indigenous bankers are also advancing such small sums?

A.—Yes.

Q.—You also told us that by the competition of those co-operative societies the rate of interest of the indigenous bankers have come down?

A.—Yes.

Q.—Do you not think then that a sort of co-ordination between the indigenous banker and the co-operative society possible?

A.—The whole question revolves on the aim and ideal with which the money is lent out to the ryot. The aim of the co-operative society is to make the ryot a better man. I do not think that is the aim of the indigenous banker when he lends money.

Q.—Will you admit that their elimination is very difficult?

A.—There will be much difficulty.

Q.—Do you think that by introducing the system of controlled audit and compulsory registration they can be brought into the economic organization of the country?

A.—Up till now they have not been helping the agriculturists or their industry.

Q.—Do you think if we control them their capital will be withdrawn and transferred to other parts?

A.—As it is the capital collected in this province is utilized in other provinces.

Q.—So your conclusion is that only by extension of the co-operative movement you can tackle the problem of rural finance?

A.—I say mainly.

Mr. Thomas: Have not some indigenous bankers profited by starting co-operative societies?

Mr. Krishna Menon: In one case all the irrecoverable debts have been passed on to the co-operative societies.

Q.—I wish to know what difficulties there are in the financing of internal trade. Who finances it at present?

Mr. Rangaswami: The financing is done mainly by the Multani bankers.

Q.—And their resources are supplemented to some extent by the Imperial Bank?

A.—Yes. The Imperial Bank advances large sums of money to the Multanis.

Q.—Does not the Imperial Bank directly finance the internal trade in many ways?

A.—Not so far as I know. I have no information that the Imperial Bank advances money directly for internal trade.

Mr. Gopala Menon: Can you from your experience as a banker tell us how much of it is advanced by the various financial agencies for the purpose of internal trade, such as the Imperial Bank, the exchange banks, the joint-stock banks and so on?

A.—I do not think that anything is being done by the exchange banks for advancing money for the purpose of internal trade.

Q.—The Imperial Bank?

A.—As far as I know the Imperial Bank does advance a certain proportion of the capital towards internal trade but it does not provide the majority of capital required for trade purposes. Generally the financing is done for the movement of the produce from the interior to the port towns.

Q.—Do you not think that at the port towns the exchange banks step in?

A.—That is only in case the produce is intended for export from the ports to the foreign countries but not in the case where the produce is sent from one port to another.

Q.—To what extent do the Indian managed joint-stock banks play a part in the financing of internal trade?

A.—Very little.

Q.—But you know that banks like the Nedungadi Bank and the Indian Bank are advancing money in several places on the produce?

A.—As far as the Indian Bank is concerned, the advancing of money on produce is only of a very recent origin and the need for advancing capital for the movement of crops from one place to another and from one province to another and also for financing on the pledge of produce is very great.

Q.—So you are of opinion that the amounts advanced by these financial agencies such as the Imperial Bank, the Indian managed joint-stock banks and the co-operative banks are not at all enough?

A.—They are not very considerable.

Q.—Where is the capital then found for the financing of the internal trade now?

A.—Mostly it is being financed by the Multanis.

Q.—So you find that a very important part is played by the Multanis in regard to the financing of internal trade at present?

A.—Yes; in the matter of the movement and transport of the produce from one place to another and from one port to another the indigenous bankers do play an important part.

Q.—Your complaint is that their rates of interest are unconscionable?

A.—Yes.

Q.—So are you of opinion that some sort of control in regard to the interest rates is feasible?

A.—I thought about that question. It is rather a difficult step to undertake.

Mr. Krishna Menon: Increase in the number of branches of the commercial banks will create facilities?

Mr. Rangaswami: If there is a large increase in the branch banking of the indigenous banks and their preparedness to offer the assistance by way of finance to the various classes of trade, that will automatically bring the rates of interest down. It is because certain classes of traders and persons do not find ready admittance into banking circles now for the purpose of borrowing for their trade they are forced to go to the indigenous bankers to get capital at whatever rate they offer it.

Q.—That is a general statement what you are making *Mr. Rangaswami*. The difficulty is this. We have been told by some of the joint-stock bankers that in some cases it is uneconomical to start branches, because they do not get enough business. In such places we have to find out an agency which will do this sort of financing.

A.—My opinion with regard to the development of branch banking of joint-stock banking institutions is this. It is not every branch that is started that will pay. It is only some that will pay. But the ideal of the institution should be service to the country and to the trading public. It may be that a branch at Dindigul does not pay and it may be that the branch at Pollachi pays. But the existence of a branch at Dindigul will offer facilities to the merchants which they will not otherwise be able to get. Taken by itself the branch at Dindigul may be a losing concern, the profit may not be such as to meet even the cost of establishment. But in a combined transaction a large bank with a large number of branches has got only to look to the sum total of the transactions of all the branches put together and not take the working of each branch into consideration. The aim of the bank should be to take banking to the very doors of the constituents of the bank. Last year the Westminster Bank opened 48 branches with that idea. I think that our Indian joint-stock banks also must clearly make it a point to open a larger number of branches irrespective of the fact that individual branches return profits to the general coffers or not.

Q.—That is true. But sometimes the directors will feel rather nervous to start branches in places where they cannot find enough business. Do you not think so?

Mr. Krishna Menon: Now there are certain uneconomic methods in which joint-stock banking is conducted. There is no proper understanding about the remittance of money. For the transfer of money some sort of understanding is necessary.

Q.—When you find it is uneconomical to start a branch how can you start one?

Mr. Rangaswami: It is not always possible for you to expect profit from each and every branch that a bank opens. For instance there are branches of the Imperial Bank that are not paying. Take the case of the Ootacamund branch of the Imperial Bank.

Q.—It may be difficult to bring about that ideal state of things immediately, say within the next ten years. Do you think that we can utilize the indigenous bankers in such places to act as the agents of the joint-stock banks?

A.—You can get them into the fabric. They can be utilized in the same way as the bill broking houses in England. They function a very useful part in the banking organization of the country.

Mr. Krishna Menon: The education which these joint-stock banks have is very primitive in the case of most of them. If they are properly educated and if the proper function of banking is taught to them then they

will be able to do much good. At present it is only money-lending business that they are doing. A little more education should be insisted upon by the Government.

Q.—You have suggested the starting of land mortgage banks for redeeming the agricultural indebtedness. You are a banker and we want your advice in regard to this aspect of banking. You know that several of these merchants who play an important part in the internal trade and also in the city are heavily involved. They may have houses and other immovable property and you know that none of the financing agencies such as the Imperial or other joint-stock banks advance very much money on house or other class of immovable property. Do you think that for such purpose a land mortgage bank for helping the traders would be of use just like the one we are starting for financing long-term loans for agriculturists?

Mr. Rangaswami: I know. But there are in the city sufficient organizations for advancing loans on mortgage. There are the *nidhis* which go in largely for lending on house property and many of them do not charge more than 6½ per cent per annum. For instance there is the Mylapore Hindu Permanent Fund, Limited, which is one of the biggest *nidhis*, the transactions of which cover a number of lakhs of rupees in a year. Most of the money is lent on mortgages of house property and the rate of interest charged on the money lent out to their shareholders is only 6½ per cent per annum.

The Chairman: But they make a lot of profits?

A.—They make the profits only out of the penal rates of interest.

Mr. Gopala Menon: You know that form of institutions touches only a very small proportion of the total requirements of the city. I am referring also to the interior parts. Do you think something like a land mortgage bank for helping these traders would be of advantage because the regular banks can lend money only for short terms? Do you think bringing into existence land mortgage banks for such purposes would not be of any advantage to help the internal trade?

A.—I cannot question the usefulness of an institution of that type. But we have got to consider the whole question. It depends on the composition of the capital you deal in. If you can command sufficient long-dated capital you can utilize it to advance loans for long periods. The whole difficulty is that the banks want their money to be quick and turning.

Q.—So one of the difficulties in regard to the financing of internal trade is that money cannot be had sufficient enough for long-term purposes?

A.—I am not satisfied with regard to the demand of a loan for a long period for internal trade.

Q.—They want capital to pay their debts?

A.—After all what is the purpose of a bank? It is only to give the additional capital that is required but not the initial capital. The bank can only supplement the initial capital.

Q.—Do you know the present abnormal state of affairs in trade? There are several merchants having house property but cannot get finance on their immovable property at a reasonable rate of interest.

A.—I think some of our joint-stock banks do advance money on collateral security on house property.

Q.—But these cases are only very limited. Do you think that some agency must be found for this sort of financing?

A.—The question is worth considering.

Q.—Do you know that such a part is played by loan societies in other Presidencies?

A.—I have not studied that.

Q.—Do you not think that either by the banks or by an extension of the *nidhis* this purpose can be attended to?

A.—It can be tried.

Q.—Do you think that the co-operative societies experience any difficulty in effecting internal remittances now?

A.—The conditions that now prevail with regard to remittances are that free transfers are given by the Imperial Bank if the purpose is for genuine co-operative remittances, for instance when money is due by one co-operative society to another or a loan is advanced by one co-operative society to

another. For that purpose remittance transfers are issued under Government orders free. But in the case of the remittances through the Imperial Bank the conditions are onerous.

Q.—What are the rates they charge?

Mr. Krishna Menon: Above Rs. 10,000 the rate is one anna. From Rs. 5,000 to Rs. 10,000 the rate is two annas and for sums below Rs. 5,000 it is at the discretion of the Imperial Bank of India. Before the Presidency banks were consolidated into the Imperial Bank the Government used to transmit money from one district to another, and from one province to another at a certain rate. The usual rate for transmission of money from district to district was from one to two annas without any limit to the amount and from two to four annas for transmission of money from one province to another. But when the Imperial Bank was made the custodians of the treasuries, in the agreement it was stipulated that all these rates must be fixed in consultation with the Controller of Currency and the Controller of Currency has fixed the rates above Rs. 10,000 and Rs. 5,000 in agreement with the Imperial Bank and has left the rate below Rs. 5,000 to be fixed by the Imperial Bank at its discretion and now they charge a minimum of 4 annas.

Q.—Do you not think that the bulk of the remittances will be below Rs. 5,000?

Mr. Rangaswami: Some time ago it was the practice for remittances up to Rs. 5,000 being got free in the case of the constituents of the Imperial Bank but now everybody has to pay 4 annas and that is the minimum.

Mr. Krishna Menon: Transmission of money has been very difficult to the poor people on account of this. Most of the transactions are below Rs. 5,000 and what the Government was doing for 1 anna and 2 annas the Imperial Bank is charging 4 annas and it is doing the remittance practically at no cost at all. What is the system of transmitting money between the several branches of the Imperial Bank? It is only book adjustment that has to be made. It has not to pay anything for the remittances that are made by it but the poor people are asked to pay 4 annas and I think it is very hard. The rates charged by the Imperial Bank regulate also the rates charged by the other banks. Of course the other banks cannot charge below those rates.

Q.—My point is whether the bulk of the remittances is for amounts up to Rs. 5,000 and the rate of 4 annas is a heavy premium?

Mr. Rangaswami: Yes.

Q.—Have you any experience of issuing hundis?

A.—We have been issuing drafts on the district banks.

Q.—Is it a bill or a hundi.

A.—It is a demand draft. At the last meeting of the executive committee it was decided to charge 1 anna for sums above Rs. 1,000 and 2 annas for sums below Rs. 1,000.

Q.—Would you prefer the standardization of the various forms of hundis printed in different languages?

A.—It will facilitate trade much better if there is standardization.

Q.—Would you have it on an all-India basis or a provincial basis?

A.—On an all-India basis.

Q.—What is your experience in regard to the use of cheques and demand bills after the abolition of the stamp duty? Has it increased to an appreciable extent?

A.—From my personal experience I cannot say that it has increased much.

Mr. Krishna Menon: In the district banks a large number of cheques are being used now.

The Chairman: Has it materially affected the size of the cheques?

Mr. Rangaswami: Yes.

Mr. Gopala Menon: Do you think that the habit has increased to such an extent as to demand a system of clearing house?

A.—I do not think that it has developed to such a large extent as to warrant the establishment of a clearing house in the mufassal yet.

Mr. Krishna Menon: With more co-ordination of all the banks each district may have a clearing house.

The Chairman: Have you any information as to the value of cheques issued in Calicut?

A.—The multiplication of remittances can be avoided and in many cases it is only the difference that will have to be transmitted.

Mr. Gopala Menon: What are the existing institutions in which the savings and investment habit is encouraged now?

Mr. Rangaswami: The existence of the co-operative societies has not up till now encouraged the thrift habit among the ryots. The co-operative society is treated largely as an institution wherein to borrow money at cheap rates of interest than to put in their savings.

Q.—Is it partly due to the insufficiency of the banking facilities in the mufassal that this saving habit is not encouraged?

A.—I think it is due to the hankering after a higher rate of interest for the savings. The people want a higher rate of interest for their money but if they are to borrow they want to borrow from a place where the rate of interest is very low. It depends on the mentality of the people whether the co-operative society is used as a thrift house at all.

Q.—Do you think there is any saving left at all by the average individual?

A.—That is a different question. When you asked me whether the want of sufficient banking facilities stood in the way of the saving habit I said it depended on the mentality of the people more. But in regard to the question whether there is saving at all I would say that there is not sufficient margin left to save. Saving depends on two things, the desire to save and the ability to save. I do not know whether there is much ability left in the agriculturist to save. There is not sufficient margin for him to save. He gets just sufficient to keep him on the margin of starvation.

Q.—There is also another thing. The illiteracy of the ryot may be the cause. He may not even know that the banks have savings department. Do you not think so?

A.—I do not think that you can lay it at the door of illiteracy. Through the prevalence of the chit system there is a sufficient amount of saving habit. Want of savings is generally due to want of sufficient margin.

Q.—Do you think that among the educated middle classes there is the saving by taking postal cash certificates?

A.—Yes.

Q.—Do you find any difference between the savings of the educated middle classes and the ryots who do not know where to go and invest their moneys?

A.—As far as I can think it is not very largely due to the want of facility of savings that there is not sufficient savings but the innate inability to save.

Q.—I will take an example. Take the case of an ordinary mill labourer getting Rs. 30 a month and an ordinary clerk getting Rs. 30. The latter manages his affairs within that amount but the mill labourer is in the hands of the sowcar. So, it is a question of economy and thrift on the part of the man, is it not?

A.—In the case of the mill labourer it is not due to the want of facilities to put by his savings but it is due to his innate habit. He has contracted certain bad habits; they have grown round him and it is difficult to pull him back and he does not save at all.

Q.—So the habit to save has to be promoted?

A.—But there is no desire in him to save. He does not live for the future, he lives for the day only.

Q.—You have got to teach him thrift then?

A.—Yes.

Mr. Thomas: About the question of chits you said that the chits and midhis are able to garner the savings of the common people. The point is that when there is compulsion to save, the ryot, in spite of his having very little margin, manages to save something. So if you can graft the chit principle in the co-operative system will there not be some advantage?

A.—There may be.

Q.—In Tinnevely and Coimbatore even poor people are able to save, because of chits?

A.—Those people have got their own communal chit funds to which they go on contributing every week when they get their wages and then it is auctioned.

Q.—So you agree that this ancient Indian system of chit should be combined with the German system of co-operation?

A.—Yes.

The Chairman: But is there not a provision now for running chits in the co-operative societies?

A.—Not in the village societies.

Mr. Krishna Menon: There is, but that is not availed of.

Mr. Thomas: How is it that it is not availed of?

A.—The idea of saving has not been sufficiently instilled into the minds of the members.

Mr. Rangaswami: They are up with this propaganda in Elur, Salem district. Five hundred hundi boxes are to be got from Calcutta to be distributed among the people to take in their savings. They are going to try a very extensive propaganda and the gentleman in charge of the work has instructed the co-operative inspectors to go and talk to the individuals and induce them at least to put by small sums.

Q.—That means you must carry on propaganda work?

A.—Yes.

Mr. Krishna Menon: In one Panchama society in Malabar in 12 months 40 members have saved about Rs. 100 and the members are living upon about 5 annas a day. Thus it can be seen there is no hindrance to savings but the mind must be prepared to save, and an amount of propaganda has to be done for it.

Q.—How do you propose to tackle the question of marketing of indigo and tobacco?

A.—The real reason is that up to this time the co-operative movement has not thought of that problem at all. It has never been thought of in a serious manner. There should be the initial sum and the question is who is to provide that.

The Chairman: Your money is employed in the Presidency?

Mr. Rangaswami: Yes.

Q.—You consider that the provincial bank's credit is high?

A.—I should think so under the existing conditions.

Q.—Have you much knowledge of the balance of credit of other banks?

A.—Yes, from the statistics available.

Q.—Apart from the statistics have you got a general idea of their reputation?

A.—With regard to some I think I know that they have got into trouble.

Q.—Would you be prepared to lend them any money.

A.—Probably not after the information I have got.

The Chairman: What about the suggestion of an inter-provincial bank?

A.—This question was considered at the first conference in Simla and after a great deal of discussion we have come to the conclusion that an All-India co-operative bank would not serve any useful purpose. As it is the provincial banks find that their investments have been limited to district banks and co-operative societies and the All-India institution will find it all the more difficult to find ways of investing the huge surplus cash that will be coming into their hands at certain seasons of the year.

Q.—Would the provincial bank here be prepared to deposit large sums of money in an All-India institution with the prospect of that bank lending it to some other provincial bank?

A.—That will necessitate the scrutiny of the working of all provincial banks. The money will have to be lent on the general credit of the All-India institution.

Q.—Do you think that the bank will lend money to an institution that does not command so high a credit?

A.—I told you it will depend on the volume of the money that is to be lent to such institutions.

Q.—It is doubtful whether your bank would be prepared to lend money to certain other provincial banks?

A.—It is doubtful.

Mr. Thomas: The difficulties of marketing can be tackled by the expansion of the co-operative movement?

Mr. Krishna Menon: Yes.

Q.—What stands in its way now? In Guntur there is the tobacco. Is it not possible for a marketing society to cure the tobacco and sell it when the price is highest? If it is cured it can be stored for some time without it being damaged?

A.—It can be done. But the selling trade has developed to such an extent that it is more difficult now to sell it than produce an article. The ordinary agriculturist has not got that experience, which the traders only have.

Q.—The society must provide the business expert, and Government must help in the matter?

A.—The knowledge which the ryots do not possess must be imparted to them. It comes to this the co-operative society must engage an expert in marketing to push on the sale of produce which it garners in its godowns.

Q.—What stands at present in the way of co-operative societies engaging such men? Is it lack of funds or lack of the knowledge of possibilities?

A.—Only big business can employ good and suitable marketing experts.

Q.—Do you know whether any co-operative society undertakes the purchasing and selling of tobacco in Guntur?

A.—I do not know.

Q.—I think you have stated in your memorandum that pools may be organized as in Canada? For what commodities in your opinion could such pools be established in Madras?

Mr. Rangaswami: When I wrote that I had in my mind pools for the marketing of groundnuts. In South Arcot and Salem districts there are large quantities of groundnuts produced at each season. If through the co-operative societies the produce of each taluk or two is gathered and sold, then a better price can be got for the producing ryot.

Q.—Have you taken into account the fact that production is scattered in this country. We have not got as in the United States a cotton belt, nor a wheat belt as in Canada?

A.—But there are areas in South Arcot and Salem where groundnut is concentrated in definite regions. You start small co-operative societies and gradually it will grow big and be able to pool the produce of the whole area.

Q.—In cotton also?

A.—Even in the case of cotton we can have pools. We can have cotton markets in Tiruppur, Tinnevely, Bellary, Nandyal, etc. First we can start pools only in commercial crops, groundnuts, cotton, etc.

Q.—With regard to co-operative societies there is often a complaint about favouritism in the granting of loans. Is there any truth behind it?

A.—Yes, it does exist.

Q.—Has it not resulted in some improvident loans?

A.—Yes, most of our overdues are the result of such improvident loans.

Q.—Is there no means of preventing such favouritism?

A.—That can be prevented only by educating the members to their rights and in that way making the management better. Of course there are difficulties. If the leader of the village happens to be an influential panchayatdar then the other members will be squeamish to bring such favouritism to the notice of the other members. There are at present rules laid down that every loan to a panchayatdar should be approved at the general meeting.

Q.—It was proposed to us by one witness that urban banks may be allowed to finance the neighbouring rural societies? What do you think of that proposal?

A.—I do not quite approve of that recommendation at all.

Q.—What about the proposal that the Government cash balance may be used in the co-operative movement?

A.—It was suggested that the central banks may be allowed to act as bankers to the Government as the Imperial Bank of India in places where there is no branch of the Imperial Bank and where the Government are satisfied that the management of the bank is good and secure.

Q.—Do you think the co-operative district banks have come to that stage of efficiency?

A.—I want only such banks as are good to be appointed as bankers.

Q.—You were speaking of the bill-broking function of the money-lenders. Are they really bill-brokers? What is the difference between these people and the bill-brokers of England?

A.—The Multani bill-broker is to a large extent a capitalist. Whenever he requires money he gets it from the Imperial Bank.

Q.—Are not most of those bills accommodation bills?

A.—There are a few accommodation bills amongst those.

Q.—They are not bills representing genuine commercial transactions?

A.—Not all the bills of the Multani is backed by tangible property.

Q.—Is it possible to make the Multanis proper bill-brokers?

A.—At present their main business is bill-broking.

Q.—But their rates are too high?

A.—The difference is 3 to 4 per cent.

Q.—How can they distinguish between a genuine bill and an accommodation bill?

A.—The Imperial Bank does not look to the fact whether there is any tangible backing or not; they rely on the endorsement of the Multani. The bill is rediscounted by them on the personal security of the Multani.

Q.—You say there is great deal of subdivision and fragmentation of land in this Presidency. Have you got much experience of rural life?

A.—I belong to Chingleput.

Q.—Is there much fragmentation in that district?

A.—The tendency is for subdivision and fragmentation. I know of some cases there where the holdings are scattered and each man has half a dozen such holdings, in different places. It is scattered on account of the Hindu law of inheritance where a man having four sons divides each plot of land into four parts. But I do not think the problem is so serious one as to necessitate immediate attention.

Mr. Hearson: Take the case of a man having 5 acres and four sons. Then in the next generation after the father's death each man will possess $1\frac{1}{4}$ acre portions.

A.—Yes.

Mr. Thomas: There is also the reverse process going on, that of consolidation?

A.—Yes.

Mr. Hearson: This fragmentation is not getting worse year by year?

A.—It is not very serious.

Mr. Thomas: You say in the second page of your evidence that the rate of interest when paid in kind is 100 per cent. Can you give any definite examples of such transactions?

A.—That is with regard to what they call 'nellu vaddi', that is, when the interest is paid in paddy. They give a certain quantity and it is collected in multiples of that quantity at the time of harvest.

Q.—You have written about nidhis. They allow withdrawal of share capital. Do you think such transactions are proper?

A.—Under the existing law it is forbidden. There is also in such cases no security for the depositor.

Q.—Is it going on in Madras?

A.—Yes, the Mylapore Hindu Permanent Fund allows it.

Q.—But that is not like the nidhis in Coimbatore which have the regular share capital?

A.—Here it is called a share but is only a terminable contribution of deposit of a definite sum for a stipulated period.

Q.—There is distinction between this nidhi and those existing in Coimbatore?

A.—I do not know the Coimbatore system.

Q.—Do you think it is a good practice to allow one to borrow on his share capital?

A.—It is not proper and contravenes the provisions of the Indian Companies Act.

Q.—You have calculated the total indebtedness of the Presidency at 100 crores. On what basis have you calculated it?

A.—It is only an approximate figure.

(The representatives then withdrew.)

Friday, 21st March 1930.

MADRAS.

PRESENT:

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Mr. H. F. P. HEARSON, M.L.C.

M.R.By. Rao Sahib O. N. RAMASWAMI AYYAR Avargal,
 Special Officer, Madras Co-operative Central Land
 Mortgage Bank, Limited, Madras.

Oral evidence.

The Chairman: Mr. Ramaswami Ayyar, you were in the co-operative department for about ten years and you have had experience for about two years as Assistant Registrar and then you were Assistant Registrar in Tanjore and finally as Deputy Registrar of Tanjore and Trichinopoly?

A.—Yes.

Q.—In Tanjore you have got some loan and sale societies having godowns of their own?

A.—Yes.

Q.—Are these a success?

A.—Except in one place, the others have not been successful.

Q.—Which is that one place?

A.—Vallam.

Q.—What is the nature of the business they are doing?

A.—Advancing produce loans to the ryots and sales of such produce through the society. The produce is deposited in the godown of the loan and sale society and they lend money on the security of such produce.

Q.—Where does the society get its money?

A.—From the central bank.

Q.—On what security?

A.—On the security of the produce stored in their godowns. They make over the produce to the central bank.

Q.—In what way?

A.—By handing over the key to the custody of one representative of the bank.

Q.—What produce mainly comes to that Vallam society?

A.—Groundnut, redgram and dhal.

Q.—In more or less equal quantities?

A.—The bulk of it is groundnut.

Q.—To whom do you sell it?

A.—To the merchants.

Q.—What sort of merchants, local merchants?

A.—Local merchants.

Mr. Hearson: Not to the exporting firms?

A.—They want very big quantities, and we are not able to execute such big orders.

The Chairman: Do you advance money to the ryots for growing the crops?

A.—No.

Q.—Do anybody else do it?

A.—That scheme has not been given effect to. In some stray cases the ryots do take loans from societies.

Q.—Is not a material quantity of the groundnut that is grown there comes to that godown?

A.—We were able to get only from Rs. 30,000 to Rs. 40,000 worth of groundnut in a year. Messrs. Volkart Brothers and Louis Dreyfus have got out agencies there and they buy direct from the ryots.

Q.—At what rates do they buy?

A.—They quote the rates and the ryots sell at that price.

Q.—Do they advance any money to the ryots?

A.—They advance some money to the agents and the agents in turn advance money to the ryots.

Q.—Do they lend on forward contracts?

A.—No.

Q.—The produce when it comes to the merchant is taken at the market price?

A.—Yes.

Q.—Is that in any way working for the disadvantage of the ryot?

A.—It depends upon the market price at the time, sometimes it is advantageous to the ryot sometimes disadvantageous. The price of groundnut is often changing, so much so that the ryot fears whether the price may come still lower and so sells at once.

Q.—Do you propose that the ryot should hold up a commercial product?

A.—There must be some latitude.

Mr. Hearson: How long do you keep the groundnut crop?

A.—Three or four months.

Q.—Who sells it?

A.—The owner sells it.

The Chairman: There is no pooling at present?

A.—No.

Q.—Is there no paddy coming in?

A.—There is some paddy coming in but that is not much.

Mr. Hearson: You say Rs. 30,000 to Rs. 40,000 worth of groundnuts comes in. How many different owners will that represent?

A.—About 80 or 90.

The Chairman: Is it increasing?

A.—It is increasing.

Q.—But not very rapidly?

A.—Not very rapidly.

Q.—You say there are other societies. What is the extent of the business that they do?

A.—Only Rs. 5,000 to Rs. 6,000 business a year.

Q.—Why?

A.—The ryots do not come to that society.

Q.—There are two godowns in Orathanad. There is a good deal of paddy there now?

A.—Not much now. The main crop in that area is groundnut. Whatever comes there is groundnut.

Q.—What is the difficulty about that society?

A.—The merchants and money-lenders come to the thrashing floor and purchase the crop and they do not bring it to the society.

Mr. Thomas: Why do the merchants come to the thrashing floor?

A.—Because the ryots are indebted to the merchant.

Q.—Who are those merchants?

A.—Chettis.

The Chairman: Can the ryots not take it to the godown and get an advance and pay them?

A.—In that case if they take it to the society probably the society will demand from the ryots out of the sale-proceeds the amount due to the co-operative society.

Q.—It is not due to the want of faith in the management of the society?

A.—In the case of the Pattukotta Society it is.

Mr. Thomas: Would it be possible to transfer the prior debts of the ryots to the mortgage bank?

A.—To some extent it can be done.

The Chairman: Mr. Ramaswami Ayyar, do you think that the training institute there could be converted into a school for agricultural commerce? That is to say, to give a certain amount of teaching and doing research work in agricultural marketing methods and keeping the records of the prices?

A.—Yes, Sir. That was my ambition, in regard to the Tanjore Institute and the other institutes also.

Q.—Is there any difficulty about it?

A.—There is no difficulty, Sir. I was about to complete my reply to the questionnaire issued to me and since I thought I had to send it officially I thought I had better say whatever I had to say orally before the committee. My attempt to collect the statistics from the Agricultural department showed me that the kind of statistics available in that department are not of any practical value either to the co-operative societies or to the co-operators. They do not throw any light as to how to deal with their produce and what the market conditions were. These things are not brought home to the agriculturists and for that purpose I was waiting for the Statistical Assistant. Even now I believe that the figures supplied by the Agricultural department are not of any great benefit to the man in the village and our institutes can take up that function. The President will remember that when he was Registrar of Co-operative Societies he tried to collect figures regarding the prices of groundnut and sugarcane in the market and we were in a helpless position to give any correct information. The question was a very very simple one and it also appeared to be a very simple question to answer. But when we attempted to answer we were unable to get any reliable data. It was a very unsatisfactory position in which we found ourselves and it showed how bad we were in the matter of statistics. Hereafter at least I think our first step should be in the matter of recording correct statistics and to make this the basis for our action. If we are to make a start I think we ought to begin with the institutes.

Mr. Thomas: In the institutes have you a trained Inspector to do it?

A.—He has got work only for three hours a day and the men whom we have got in our institutes are men with University qualifications.

Q.—What is the training have they got in carrying on investigation?

A.—They have got no training. I am not able to put before you what all I want in very definite terms. What appeared to me after perusing the books regarding the large-scale marketing and several other books got from the advertisement sheets and from the heaps of books received from the Tanjore Institute and the Registrar's Office was that a lot of work is done by the students in England. The charts, statistics and figures are very interesting and all this work was done by the students.

Q.—Whom are you going to engage as investigators in this institute?

A.—In the first place, the recording of the prices does not require any great investigation. It is only a correct report of what is taking place outside that is needed.

Q.—Have you got the facilities for that?

A.—Our union secretaries may be properly selected and asked to collect the figures and then these figures may be verified by somebody going about for the purpose.

Q.—Do you think that these institutes can get correct information from the Union Secretaries of the whole district.

A.—Yes. In fact for a group of districts a federation would help us.

Q.—Who is to work out the figures? Do you think it should be in a central place?

A.—Yes.

Q.—So you require a central bureau for this?

A.—Yes. When I mentioned this once to Mr. Ramadas, he jumped at the idea and said that the provincial union will take up the work and the Chairman may remember that when he was Registrar the provincial union wanted to form itself into an economic board and sent some questions and got some answers. Systematic effort was made; there it ended. The ambition of the provincial co-operative union was to become such a central board as Mr. Thomas mentions. Even now no pains should be spared in giving effect to this scheme and making these institutes centres for the collection of statistics.

Q.—Are there enough persons for this work?

A.—If you select. Now Rs. 3,000 or Rs. 4,000 are given by the Government and the condition may be enforced that two or three people to be selected by the Registrar after being satisfied as to their competency may be employed on Rs. 50 or Rs. 70 for this work. When the men are there money will be forthcoming. I have never found money difficulty in matters of this sort.

Q.—Do you mean that these people should be trained in some place and then placed in these institutions just as in the Agricultural College?

A.—What I meant was that for collecting statistics training was necessary. A great difficulty is that the men whom we select are not always reliable men and the information got by them has to be checked by some authority.

The Chairman: You were speaking of the provincial union. But is it actually in close touch with the co-operation in the districts?

A.—No, not even with the institutes. Though it was a very pious resolution that was passed by them and the Registrar took part in it it was not given effect to. They are distinct separate units now as they were before. I think that is a matter which this Committee, if necessary, can go into in some detail.

Q.—To what extent is the provincial union a co-operative body?

A.—It has got co-operators as its members and also co-operative societies as its members.

Mr. Hearson: Mr. Ramaswami Ayyar, these statistics supplied by the Agricultural department are then of no use?

A.—I cannot say so. For certain purposes they are very useful.

Q.—Do you wish to have a statistics which will enable you to put up a notice every day as to the price of the various commodities such as ground-nut?

A.—If there is a chart or something like that put up it will be of use. of use.

Q.—You want the prices prevailing in England and Hamburg just like the companies are getting for the use of the people?

A.—Yes. I attempted to get a chart from one of the companies but they refused to give me one. If they would not supply us how would we be able to get the information?

Q.—That is the point. As you say some institute may keep in touch with the prices obtaining elsewhere. Telegrams are available to anyone who subscribes to the telegraphic bureau. I think that in the big organized markets in the northern parts of Madras the prices obtaining at Liverpool and other continental markets are advertised?

A.—I think that some such thing will be useful.

Q.—I think that in Bombay the dealers from whom we get articles do themselves get telegrams even from America. You have no idea that these statistics will even mislead the people and not serve any useful purpose? They are useful only to men of great experience and wide range of knowledge?

A.—With a caution the figures may be given. But let the men know the prices that prevail.

Q.—Then you are compiling these statistics now?

A.—I am not now in a position to say that.

Q.—You said that the function of the Agricultural department is concerned with the investigation as to the growing of crops and that the marketing is outside the Agricultural department?

A.—I do not blame the Agricultural department. What I wanted was that there should be no duplication of work.

Mr. Thomas: Have you any suggestion to make in regard to the co-ordination of the credit and marketing functions of the co-operative movement? Is it not possible somehow to co-ordinate these two either by giving both functions to a credit society or a sale society in every place because the real difficulty is in getting back the loans. In fact the money-lender has always been prospering because he takes the produce in lieu of the loans he gave whereas the society simply gives loans and simply waits for the money to be repaid. But the conditions of life in this country are such that unless people are pressed for payment at the harvest time they will not be able to pay back. The movement has been concentrating on the credit side. Do you not think so?

A.—It is because of the realization of that truth that we are now trying to get the produce. If cash is paid then it is all right. If not, we get the produce.

Q.—How are you going to manage that?

A.—There is an agent of the primary loan and sale society.

Q.—That is the co-ordination now?

A.—Yes.

Q.—Does that work very well?

A.—In Karur I think it shows signs of satisfaction.

Q.—I think you have got a knowledge of Tanjore and Trichinopoly?

A.—Yes.

Q.—In regard to these districts I should like to find out some points of rural life. In Tanjore what are the principal purposes for which loans are taken by the ordinary ryot?

A.—Discharge of prior debts and purchase of cattle.

Q.—I am not talking of the loans from the co-operative societies only. I mean the loans taken from the money-lenders also?

A.—Some people are transferring the loans from one man to another to put it briefly.

Q.—Why does a man first go to a sowcar? What are the principal purposes?

A.—In many cases it is due to living beyond his income.

Q.—What do you include in that expression "living beyond his income"?

A.—He does not balance his income to the expenditure.

Q.—Is it by eating too much?

A.—It is not that. It is due to a little more of expensive habits.

Q.—Do you include highly expensive marriages and other ceremonies of that sort?

A.—Marriages and the education of children.

Q.—Which occupies the prominent place, marriages or education so far as Tanjore district is concerned?

A.—First marriages and then education.

Q.—In Trichinopoly is it the same?

A.—Yes.

Q.—Are you confining your remarks to the Brahman community or to other classes as well?

A.—It applies to all classes of people.

Q.—Do the same customs prevail in other parts?

A.—Yes. Marriages are becoming more costly. The main cause of the drain is expensive marriages first and then education.

Q.—What is the next?

A.—There is no other drain.

Q.—To what extent do people borrow for cultivation expenses?

A.—That is met out of paddy stocked at the time of the harvest.

Q.—You are speaking of the mirasidar. But what about the ordinary tenant who cultivates the land from the mirasidar?

A.—He has not got much stock on which to borrow.

Q.—Even he borrows mostly for marriages?

A.—Yes.

Q.—So loans are generally taken for non-productive purposes. Is that right?

A.—So far as my knowledge goes I have to confess it is so.

Q.—In that respect there is no difference between the Trichinopoly and the Tanjore districts?

A.—No. In North Arcot small loans are given for the sinking of wells but in Tanjore and Trichinopoly there is not much expenditure incurred in that way. I am speaking of paddy lands.

Q.—For what do most of the labourers in Tanjore and Trichinopoly districts raise loans?

A.—They are not much indebted.

Q.—But do they not take loans for Rs. 100 and Rs. 200 for marriages? How can they repay that amount?

A.—The landlord will not take back that amount from them.

Q.—In Tanjore almost every depressed class family is indebted to the mirasidar for performing marriages and they have not got a house even?

A.—The creditor is not keen on getting back the money. He has a hold upon the pannayat always and there is no hurry.

Q.—If he could repay would not the creditor get it?

A.—He will say where is the hurry.

Q.—You can divide the people of Tanjore into three classes, the mirasidars, the cultivating tenants and the pannayals or the landless agricultural labourers. In regard to these which class do you think is most indebted?

A.—The mirasidar.

Q.—Then again it is due to marriages mostly?

A.—It is so.

Q.—What is the rate of interest that the mirasidar has to pay?

A.—From 10 to 12 per cent per annum.

Q.—If it is mortgages?

A.—Even on pro-notes the rate is 12 per cent and for mortgages it is generally lower I think.

Q.—The mirasidar always raises on the security of land?

A.—Yes.

Q.—At what rate does the ordinary ryot get loans?

A.—In the wet area he also gets at 12 per cent.

Q.—Does not the rate grow higher in cases where the man who borrows has no security to offer?

A.—In such cases it goes even to 36 per cent. In Orathanad, loans on the pledge of jewels are at rates ranging from 18 to 24 per cent.

Q.—Gold jewels?

A.—Yes.

Q.—How do you account for that?

A.—That is the only tangible asset which the creditor can rely upon. But that is not the case in other parts. For instance, there is a jewel pledge bank at Kulittalai which is a private bank and the rate of interest there is from 8 to 12 per cent. So also in Karur.

Q.—Are there many private banks in the Tanjore and Trichinopoly districts?

A.—There are many.

Q.—Are they joint-stock banks?

A.—There is the union bank and two or three private banks in Kuumbanam also.

Q.—In regard to mortgages what is the period for which they are contracted?

A.—The mortgage goes on for a number of years.

Q.—Is there not a fixed period?

A.—It is generally three or four years.

Q.—What percentage of them are redeemed?

A.—Only a very small percentage.

Q.—Are they renewed?

A.—Yes.

Q.—Does it take place every three years?

A.—Three years or five years or else the mortgage is transferred from one sowcar to another.

Q.—Is it mortgage with possession?

A.—Without possession.

Q.—What will be the percentage of the mortgages with possession in the total number of mortgages?

A.—I cannot say the exact percentage. But the majority will be mortgages without possession. For the man does not want the other people to know that he is indebted. That is the truth of it.

Q.—To what extent has thrift been encouraged by the co-operative societies?

A.—That is very difficult to answer.

Q.—Has there been much of savings coming to the co-operative societies?

A.—It is coming.

The Chairman: At present most of the village co-operative credit societies do not contain a provision for savings bank deposits?

A.—Recently it has been introduced. Previously it was not introduced because of the difficulty of getting money back from the villages.

Q.—But there was always a provision for a recurring deposit in fixed monthly instalments all the year round?

A.—Yes.

Q.—Would it be reasonable to suggest that that is not a reasonable form of deposit for an agriculturist?

A.—Yes, because the agriculturist is not like a wage earner.

Q.—It is not much use expecting him to use it?

A.—Yes.

Q.—The other alternative is to expect him to put money into the share capital?

A.—But it could not be got back.

Q.—Do you think that if these difficulties are got over much money will come into the co-operative societies?

A.—There will be some improvement and that would stimulate the flow of deposits.

Q.—Does the management of societies fluctuate very much? That is to say if the society is a good society for a few years does it go bad afterwards?

A.—No, a good society continues to be a good one for several years.

Q.—If there is any serious quarrel in the village?

A.—That does not affect the efficiency of the management.

Q.—So, that factor would not prevent them very much from putting money in the co-operative bank?

A.—No. There is the Tiruvalur bank for instance. I can quote several instances which are centres of political quarrels and rivalry; still the banks have flourished and maintained their reputation for the past ten years.

Mr. Thomas: Are you aware that in places where chits are run the ryots are able to give the instalments regularly and they get a lump sum when they get the chit?

A.—Yes, but the instances are few.

Q.—Is it possible to graft that principle on the co-operative system and thereby compel the members to save?

A.—Oh, yes. Any number of chits are being run everywhere.

The Chairman: Is there any chit run by co-operative societies?

A.—No.

Q.—They have all got provision in their by-laws?

A.—Yes.

Q.—Why do they not run chits then?

A.—There are some restrictions that the auction system cannot exceed 6 per cent or so.

Q.—Do the provisions of the by-law provide that it must be on the auction system? There is the provision that the auction bid cannot exceed 6 per cent?

A.—There are some people who run co-operative societies also running chits on their own account.

Mr. Thomas: Is it not possible to make the co-operative societies run chits?

A.—Yes, it can be done. But in places where the promoters of these chits are themselves men of position, they try to manage to run them themselves rather than make them a co-operative concern. I have got several instances in the Trichinopoly district.

The Chairman: They are making a considerable profit out of it?

A.—Yes. The first chit is theirs.

Mr. Thomas: In regard to the land mortgage bank what are the sources from which it expects to get its long period funds?

A.—Only one source, and that is by the issue of debentures.

Q.—What response do you expect for the issue?

A.—We hope to get good response.

Q.—Is there sufficient capital in India now for long-term deposits?

A.—I hope so. Besides private funds there are also a large amount of trust funds which can also be invested in these debentures.

Q.—What is the object of the land mortgage bank? Is it to enable the ryot to clear his prior debt or to improve his land?

A.—We will give loans only to such ryots who can repay the instalments out of the income of the land.

Q.—But there are some whose income goes to pay only the interest on the prior debts. Should you not lend to such people and thus lighten the burden of interest charges?

A.—Such people are beyond redemption. There is only one way for them and that is to sell their land.

Q.—At least in the beginning should not some loan be granted to them to show to others the advantages?

A.—But where is the security?

Q.—Their land is the security.

A.—But that will not be enough.

Q.—What is the system of repayment you are going to adopt?

A.—Payment in equal instalments in twenty years.

Q.—It is all for twenty years?

A.—Yes.

Q.—Have the land mortgage banks started in the mufassal been able to get much capital?

A.—Not much.

Q.—You expect that there will be greater response to centralized issue of debentures?

A.—Yes, that is the hope.

Q.—Have the debentures been issued already?

A.—Not yet.

Q.—I find in Madras while the nidhis and the co-operative societies have been lending at reasonable rates of interest the ordinary labourer pays about 75 per cent interest to the money-lender. How do you account for this great disparity?

A.—It is on account of the large amount of risk taken by the creditor, in giving loan to people who have no tangible property.

Q.—But some of them have house property and even on pledge of jewels they have to pay 35 per cent interest?

A.—There was a suggestion some time back that co-operative societies also should lend money on pledge of jewels. One society in Cuddalore tried it but it was a failure.

The Chairman: What do you think was the cause of the failure?

A.—The difficulty in finding a trustworthy appraiser.

Q.—Do you say the bank did not grant loans?

A.—Yes.

Q.—The bank was not swindled, but they were not able to do that business?

A.—They were nervous about doing that business.

Mr. Thomas: Are there ample facilities for the transmission of money for inland trade?

A.—I do not know very much about it.

Q.—What modifications do you suggest in the co-operative movement in order to make it more useful?

A.—We are trying modifications now. Every year we are trying to improve upon the previous year's work. Our present system of discriminating between long-term and short-term loans is a very great improvement. Much of our difficulties in the past was due to haphazard banking, mixing up long-term and short-term loans, and disregarding the purposes for which loans were taken, though according to the by-laws of the co-operative societies we were asked to find out the purposes and asked to regulate the period of repayment with reference to the purpose. These by-laws were not faithfully carried out; as a matter of fact long-term loans were given for short-term purposes and short-term loans for long-term purposes. In the end we found that we were not able to realize the moneys advanced, within the periods for which they were lent. As a result of the adoption of the recommendations of the Townsend Committee on Co-operation the two things were kept in water-tight compartments to such an extent that it raised a hue and cry and Government were accused of being unsympathetic.

Q.—Could not some of the long-term debts be transferred to the land mortgage bank?

A.—In certain cases it can be done.

Q.—That will then place co-operative societies on a better footing?

A.—Yes. If the debts are such that the man is not able to pay owing to the shortness of the period then it can be transferred to the society; but if it is a debt which is doubtful of recovery such debts cannot be transferred to the society.

Q.—With regard to marketing of crops what modifications would you suggest?

A.—If we have got a number of honest people and also efficient people then it will be a success. There should also be an agency for supervision of these societies.

The Chairman: What is your experience of these federations?

A.—Federations are very useful institutions.

Q.—Have they come to stay?

A.—Yes, in spite of all that may be said to the contrary they have come to stay.

Mr. Thomas: What is their function now?

A.—It is supervision, their object is to bring about a better working of the existing supervision units. They need not exist if the supervising units are efficient. So long as some of the supervising units are going to be unsound these federations are necessary.

The Chairman: A number of supervising units were liquidated last year. Why?

A.—I do not know, but it had repercussions in my jurisdiction.

Q.—What about agricultural demonstration societies?

A.—I link the land mortgage bank with agricultural demonstration societies. The by-laws of the land mortgage bank asks us to do so many things. It is printed in G.O. No. 1814 of October last which has now been made a model for all primary societies and primary banks. If you read that we are asked to calculate the income from the land proposed to be mortgaged and then we are asked to find out 20 times the total income from the land and 75 per cent of this figure is the sum up to which loans can be given.

Q.—This amount is bigger than the other limit?

A.—Yes, the other limit is 75 per cent of the market value of the land. In the last resort if the instalments are not forthcoming we will have to go against the land. The agricultural demonstration societies will be able to furnish us these particulars.

Q.—Any reason why there should not be more of these demonstration societies?

A.—No.

Mr. Thomas: What are they doing now?

A.—They are demonstrating to the cultivator how to do the farming in the right way by demonstrating both and showing him the difference.

The Chairman: Could the Co-operative department take over the whole of that work from the Agricultural department?

A.—By all means.

Q.—Do you think it will be possible for the Co-operative department to take over the marketing side of agriculture altogether and relieve the Agricultural department of that part of the work?

A.—Yes, that is being done now.

Q.—You think the Co-operative department could look after the commercial side of agriculture?

A.—It must, else what is its function?

Q.—Who organized the society at Lalgudi?

A.—The Agricultural department helped us.

Q.—But they claimed to have organized the society?

A.—I was on leave at that time. These societies are necessary to give us reliable information about agricultural income.

Mr. Thomas: Before granting a loan do you insist on the borrower adopting improved methods of cultivation?

A.—That is what the by-laws state. The by-laws of the primary land mortgage banks also require that the ryots should use only improved methods approved by them.

Q.—Is it necessary that he must undertake to do so?

A.—Yes.

Q.—If the ryots do not do so?

A.—By summary procedure the amount of the loan can be recovered.

(The witness then withdrew.)

Saturday, 22nd March 1930.

MADRAS.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.

E. H. M. BOWER, Esq., B.A., LL.B. (Lond.), I.S.O., Inspector-General of Registration and Registrar of Joint Stock Companies, Madras.

Oral evidence.*

The Chairman: What posts do you happen to hold at the moment?

A.—I am the Inspector-General of Registration, the Registrar of Joint Stock Companies and the Registrar-General of Births, Deaths and Marriages.

Q.—Which part of your work takes a material amount of your time?

A.—The bulk of my time is certainly taken up by registration.

Q.—What exactly does the work in regard to the joint-stock companies entail on you?

A.—I have under me an Assistant Registrar of Joint Stock Companies in Madras with a staff of clerks who are technical men and who are very seldom transferred from that office. They practically spend all their life in that office. There are District Registrars of Assurances, who are Assistant Registrars of Joint Stock Companies, in the mufassal. It is in this respect that the procedure in the Madras Presidency is better than that in the other provinces, where every company has got to be registered at the headquarters of the province, Bombay or Calcutta for instance. In Bombay and Bengal the company has to be registered by the person going all the way to the Presidency headquarters even if it be at very remote distance. So far as the people are concerned I believe that we are able to give them better facilities than they do in the other provinces. In this province the companies go for registration to the nearest District Registrar.

Q.—That particular work entails practically the administration of the Companies Act?

A.—Yes.

Q.—Have you any audit staff?

A.—We have got no power under the Companies Act to audit.

Q.—You have nothing to do with commercial audit?

A.—No.

Q.—It is separate?

A.—Yes. The Companies Act gives us nothing like the power given to the Registrar of Co-operative Societies. This may appear useful to the Committee. In Bombay where there is a separate Registrar of Joint Stock Banks, Mr. Mitchel has written thus in the year 1925-26:—

† “I still receive numerous applications from shareholders requesting me to interfere in the internal management of companies and prosecute the managers for fraud which they suspect, and it will be some time before these ignorant shareholders can be made to understand that the matter complained of by them does not fall within the jurisdiction of the Registrar, but they themselves have right and powers . . . which they can exercise.”

* For written evidence, vide pages 500-501, volume II.

† Vide page 6 of the Annual Report on the working of the Indian Companies Act, 1913, Bombay Presidency.

Q.—Are the balance-sheets scrutinized to any extent?

A.—They are scrutinized to see whether all the items that are supposed to be in the balance-sheet are there, but not whether they are right or false.

Q.—You simply ascertain whether the statements are there and not whether they are true or not?

A.—Yes.

Q.—What about the companies under liquidation? Do they have to send returns to you also? I think that in the case of companies winding up voluntarily the liquidator has to send a return to you once in six months stating the progress in realization of the assets. Have you to scrutinize those statements to any great extent?

A.—We have not got any power except under the rules framed by the High Court under section 246. It has been represented to me that there would be a little more control over these companies indirectly if along with their regular balance-sheet they were forced to send a profit and loss statement every year. But it is not compulsory under the Act. If the profit and loss statement were sent every year the intending investors would know how things stand with regard to a particular joint-stock bank. The balance-sheet by itself does not always give a clear idea as to how things stand.

Q.—Have you anybody in your department among your assistants or the staff who knows anything about reading a balance-sheet?

A.—The head clerk was a Bachelor of Commerce and several of my men have passed the accountancy test. These men as a rule are not moved from that office to the registration section.

Q.—You have a nucleus staff but at present none of them are qualified as auditors?

A.—At the present moment there are two men qualified as auditors. One has passed the G.D.A. examination, and the other the tests in accountancy and auditing.

Q.—If there is any question of Government undertaking any audit of a group of commercial concerns, your department might be in a position to expand and undertake the work?

A.—As a rule we seldom do that work ourselves and if there is any need for an auditor as recently there was we look to an expert auditor from outside. In regard to that case we have written to Messrs. Fraser & Ross and also to another auditor who has not yet replied to us, because we thought that we would recommend the best man. This particular company we consider to be a swindle and we want to get to the bottom of it. In this particular case I could take action because the balance-sheet itself looked obviously very suspicious, and their own auditor refused to give a clear certificate. But if on the other hand I had a balance-sheet which to all intents and purposes is all right I am prohibited from taking any action against the company. From any private information I may have I cannot under the Act ask the people to explain whether the figures are correct or not.

Q.—Do you think it is desirable that there should be some provision?

A.—I think it is desirable, but I think that you will never get it through the legislature.

Q.—If you find that a bank is undertaking business obviously outside the proper scope of its business, should you not have the power to stop it?

A.—I think it is better for the Registrar to have the power to stop it.

Q.—At present he has no power of cancelling the registration?

A.—No.

Q.—Just to turn to the question of nidhis of which I think you have a good deal of experience, these are registered under the Companies Act?

A.—Yes.

Q.—But they do not comply with all its provisions?

A.—No. They want refundable shares.

Q.—The share capital is withdrawable. But they do not put down 5 per cent of the nominal share value to begin with?

A.—No.

Q.—These are the two main points. Another point is that they lend on share capital. That is I think not specifically prohibited under the Companies Act but it is by implication. If the share capital is the security for the loan and the loan is not repaid the bank has no other alternative than either to write it off or take credit of the share capital against it?

A.—That is so. But, to commence with, I rather think that the mistake has originally arisen in our calling what is a deposit as share capital in the case of the nidhi.

Q.—Would there be any difficulty about enforcing the Companies Act?

A.—I think that there would be in many cases.

Q.—If it is registered under the Companies Act it clearly must comply with the provisions of the Companies Act?

A.—We want to give these people a chance. I have made a number of enquiries all round the country and every Indian that I have met is not for strangling the nidhis.

Q.—Why not necessary to strangle them?

A.—If you bring them under the Companies Act that will be the result.

Q.—Obviously they cannot come under the Companies Act in their present form?

A.—They cannot. Within the past few years on account of the High Court decision some of the nidhis have gone to court and made their share capital non-returnable. There are three such nidhis in the city, the Purasawakam Permanent Fund, Limited, and two other nidhis. But that would not affect, I think, the nidhis in the mufassal.

Q.—Do you emphasize the fact that it is possible without losing the essential features of the nidhi to attempt to bring it within the scope of the Companies Act?

A.—Yes in the case of the big ones.

Q.—In the case of the small ones also?

A.—You will then be up against the whole village opinion.

Q.—There are not many in the villages?

A.—In the Coimbatore district there are half the total number of nidhis in the whole Presidency.

Q.—How many of them are there in Coimbatore town?

A.—Sixty or so.

Q.—If you had another Act you will have to administer that?

A.—Yes.

Q.—Do you think there is any particular necessity for additional legislation for the nidhis or would it not be sufficient to bring them under the Companies Act?

A.—The Indians are a conservative people and they look upon these nidhis as their own pet lambs.

Q.—The form of these nidhis has materially changed and to some extent there is entirely a marked innovation of the business. The first nidhi was formed in 1858. Do you think it will make very much difference if they were brought under the Indian Companies Act?

A.—It would make a great difference to those away from the capital city. That would be interfering with their constitution.

Q.—Has the Government interfered?

A.—They will if they are going to put them under the Companies Act.

Q.—It is but reasonable that they should be brought under the Act. They have been registered under the Act all along?

A.—Yes.

Q.—How far back was that? I think that goes back to the seventies?

A.—Yes.

Q.—Can you give us some light on the subject? You agree that it is a curious state of affairs that there is a big group of companies registered under the Companies Act but which do not comply with the Companies Act?

A.—I am afraid I can only furnish you with information from 1915 when the Government of India wanted a separate legislation for the nidhis themselves.

Q.—It is being quoted to us that the Government having allowed this registration to go on for so many years must allow it to go on indefinitely? There never was any specific Government sanction. Was there?

A.—There was not. They just overlooked the breach.

Mr. Gopala Menon: Is there a separate Act for the control of joint-stock companies in other Presidencies?

A.—There is only one law for the whole of India.

Q.—Is it controlled by the Inspector-General of Registration or is there a separate Registrar of joint-stock companies in other provinces?

A.—I cannot tell you about other provinces but in Bengal and Bombay there are separate Registrars of joint-stock companies.

Q.—Are not the balance-sheets in the mufassal scrutinized by the Registrars and Sub-Registrars?

A.—Not by the Sub-Registrars, but only by the District Registrars.

Q.—Have they got the special qualifications for examining the balance-sheets and finding out defects or are there under them technically qualified men to scrutinize these balance-sheets?

A.—My assistant scrutinizes what the District Registrars send him. The final examination takes place in Madras for all the concerns in this Presidency.

Q.—You have no right to go into the technical aspect of the balance-sheet because the Companies Act does not provide for it?

A.—That is so.

Q.—Some witnesses who came before us have suggested that this is on account of the volume of business and the difficulty of men who are not qualified for that kind of work and on these grounds the examination of these balance-sheets should be controlled by a separate officer. What is your opinion on that?

A.—They talk like that because they do not understand the Act. We cannot interfere with the management of the company.

Q.—So it is on account of the defects in the provisions of the present Act that you are handicapped in checking and exercising a stricter control over the companies?

A.—Yes.

The Chairman: From what you have seen of these nidhis do you think that it is desirable to have a Government-controlled audit or would you prefer them carrying on themselves and leave it to the shareholders?

A.—I would simply refer you to my nidhi Bill which I have sent up.

Q.—Does it provide for audit?

A.—It provides for a certain amount of internal check. It also provides for cancellation of registration, as punishment.

Q.—At present under the Companies Act they have to be audited by a certified auditor?

A.—Yes.

Q.—Do these certified auditors supply balance-sheets which are reliable? Your experience would be sufficient to form an opinion on that point?

A.—We have not got the power to find out whether they are reliable or not.

Q.—Is the present system of audit sufficiently good or is it desirable to provide for controlled audit by auditors who would on the one side control and on the other side protect without losing their jobs on the spot?

A.—I think so; the present system of audit is fair.

Mr. Gopala Menon: Is he a permanent certificate-holder or a temporary certificate-holder?

A.—He is a permanent certificate-holder.

Q.—Do you provide in the new bill you referred to for inspection of nidhis?

A.—Yes.

Q.—Am I to understand that the Registrar of joint-stock companies should have power to inspect all the companies in the same way?

A.—No.

Q.—Do you consider that that power ought to be given not only in the case of nidhis but of all companies registered under the Act?

A.—As a counsel of perfection it ought to be given, but you will not be able to get the banks to consent to it.

Mr. Thomas: Having administered the Indian Companies Act for many years what defects have you discovered which should be rectified?

A.—The one great defect is the utter absence of any provision for ascertaining whether any of the figures furnished to us is correct or not. That is the fundamental defect.

Q.—And therefore you find that if any shareholder approaches you for help you are not in a position to help him?

A.—I am not in a position to help him.

Q.—Therefore in the interest of the public you require much stricter regulation of the joint-stock companies?

A.—I would not have much more, but a little more.

Q.—But will that little more be sufficient to safeguard the interests of the public? Is it not necessary to insist on certain essential requirements and rules and provide for a stricter supervision until such time as the public are educated enough to look after themselves?

A.—There is a certain amount of protection in resorting to courts if they have a case against the directors of the company. I do not think it advisable to give a Government office power on very slender grounds to go and interfere with concerns of some magnitude.

Q.—I speak of the ordinary joint-stock company; whether there should not be more provisions made in the Act itself in the interests of the shareholders?

A.—I am not at all convinced that it would be a good thing to give such detailed power of control as you apparently suggest.

Q.—Have you not within your experience found that the small shareholders have often suffered and the directors have often escaped loss?

A.—There have been such cases.

Q.—Do not such cases on the whole require that we should provide much more control than is at present allowed by the Act?

A.—We should have power to know whether the figures supplied to us are right or wrong.

Q.—Do you think it is necessary to have a separate Act for the regulation of banks, apart from the Act regulating joint-stock companies?

A.—I do not know why we should have a different system from that of Great Britain.

Q.—Are you aware that in nearly all countries except Great Britain there exists separate legislation for banks, and even in Canada and other British Dominions, such legislation has been made?

A.—I do not venture to give an answer to such an important question.

Q.—Have you not found out the need for securing the depositor against the possible mismanagement of the bank by the directors?

A.—I have not got the material in my possession or at my disposal to give an answer to that question.

Q.—Are you aware of a circular sent out by the Government of India in 1913 in regard to separate legislation for joint-stock banks? Do you agree with the proposals?

A.—I must say it would be presumptuous on my part with the information at my disposal in my office to answer a question like this.

Q.—Your experience as the head of the department does not enable you to answer it either way?

A.—No.

Q.—Do you think that most of the nidhis in the Presidency are mutual benefit associations?

A.—Most of them are.

Q.—You know that many nidhis, specially in the mufassal only, call themselves so but are commercial banks pure and simple?

A.—There are some nidhis which call themselves so, but do banking business while there are some which call themselves banks and do nidhi business.

Q.—Would you not like to bring these commercial concerns which call themselves nidhis under the stricter provision of the Companies Act or under a stricter Act?

A.—If this Nidhi Bill is passed into law, the bulk of them would prefer to come under the Companies Act.

Q.—Do you want to bring all the nidhis under the same Act?

A.—Yes, unless of their own accord they come under the Companies Act. They are at perfect liberty to come under the Companies Act making their share capital non-returnable. I might here also mention for the benefit of the committee that it has been stated to me that several of the nidhis of their own accord will prefer to come under the Companies Act because under that Act there is practically no check whatever on them whereas under the Nidhi Bill there would be some check.

Q.—You might remember some of the nidhi failures in 1926?

A.—Yes.

Q.—Do not such failures bring home to us the necessity for some further legislation?

A.—As against these nidhi failures there were other failures also.

Q.—I would just like to ask you one or two questions about registration. You have, I presume, some acquaintance with mortgages of land, about the terms and conditions of mortgages?

A.—Yes.

Q.—For what period generally does a mortgage run?

A.—It may run from one year to twelve years.

Q.—Is there any difference in that matter between the different parts of the Presidency? I understand that in some parts the period generally is three years?

A.—If the committee want a statement I shall send one.

Q.—In your written evidence you have mentioned the running of *ela chits*? What are the effects of those *chits*? Are they working for the advantage of the people?

A.—I see no reason to say that they are not. It is very much like the building society auctions in England.

Q.—Are you aware of some evils connected with the running of smaller *chits*? Is there not some swindling going on?

A.—I see none beyond the ordinary risk of the man who has got his amount at the beginning and who tries to back out later.

Q.—These *chits* are encouraging the poor man to be thrifty?

A.—I think so.

Q.—Will it not be good if institutions like co-operative societies or *nidhis* run them?

A.—Yes, but I do not mean the prize *chits*.

Q.—So you do not regard the increase of the *chit* business in Coimbatore with any great alarm?

A.—No, so long as they are *ela chits*.

Q.—In what parts of the Presidency are prize *chits* prevailing and what are they like?

A.—There are two kinds of prize *chits*, one in which the man gets a prize and does not contribute his share afterwards and the other in which though the man gets the prize he continues to contribute. The former is definitely illegal and has been declared to be so by the High Court.

Q.—But still they are being run?

A.—Not by registered companies, as they are definitely illegal.

(The witness then withdrew.)

Saturday, 22nd March 1930.

MADRAS.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).

Mr. P. J. THOMAS, M.A., B.LITT., PH.D.

Mr. C. GOPALA MENON, M.L.C.

Mr. C. M. KOTHARI and MUHAMMAD ISMAIL SAHIB
Bahadur, Representatives of the Southern India
Chamber of Commerce.

Oral evidence.*

Mr. Gopala Menon : In your written memorandum you have dealt with the present conditions of the indigenous bankers in the Presidency. May I know your opinion with regard to the indigenous bankers being a useful entity in the banking conditions of this country?

Mr. Kothari : They are a necessity and they are really very useful as a factor of the banking and financing institutions.

Q.—Your opinion is that they should not be dispensed with as they afford banking facilities to the public?

A.—Yes, for the time being till the conditions improve and change for something else.

Q.—What you maintain is that they know more about the conditions of the people in the villages and towns and they are able to accommodate them in a much better manner than other bankers. Is that your view?

A.—Yes.

Mr. Muhammad Ismail : Our Chamber contains more than a hundred members from the indigenous banking community and there are many members still who have been benefited by that banking system which you call the indigenous banking system.

The Chairman : I think your Chamber includes also a number of joint-stock banks?

Mr. Kothari : Yes. The indigenous bankers being in touch with the everyday life of the country are better able to do business.

Mr. Gopala Menon : Do you think that they require help from the Government in any way?

A.—It would be better if Government could give them larger facilities.

Q.—In what way?

A.—Cheaper money would help them a great deal.

Q.—Don't you know that they are getting money from the Imperial Bank at the bank rate and in some cases one or two per cent above the bank rate?

A.—Compared to what the indigenous bankers are getting in other countries we believe that the indigenous bankers here are getting money at a very very high rate of interest. If you take the rates of the Imperial Bank for the last twenty years you will find that for the last ten years the rate of the Imperial Bank is very high and ultimately it tells upon the business as well as on the people.

Q.—Is that not the all-India rate?

A.—Though you may think so and that it could not be charged. My Chamber feels that it is very high and that the money ought to be cheap and that it should pay to the producer to have it.

* For written evidence, vide pages 515—521, Vol. II.

Q.—Can you suggest any way by which it could be reduced?

A.—Mr. Menon, I think you will be coming to that sort of thing about the rates later on.

Q.—Is it possible to bring these indigenous bankers under any control just in the same way as the joint-stock banks or the nidhis?

Mr. Muhammad Ismail: Now, as it is, we cannot effect a great change in the indigenous banking system. Later on we suggest that they might be changed into guarantors or approved bankers of the Central Reserve Bank. But in the meantime and gradually they may be asked to publish their accounts which may be audited and they may be brought under such other regulations which would increase the confidence of the people in the indigenous banking system.

Q.—Have you taken their opinion with regard to the audit of their accounts by a recognized auditor? Are they agreeable to that?

A.—This is the view of the Committee of the Chamber.

Mr. Kothari: It will not suit us to say whether we have taken their opinion.

Q.—Mr. Kothari, what I want to know is whether we can bring them under control in a banking federation for the purpose of creating an organized money market. They are in the villages and it is not possible just now for banks to go and establish branches in places where it is not possible for them to establish. Therefore, what I want to find out is whether in small villages and towns where these indigenous bankers are working now is it possible for us to link the indigenous bankers with other banks in the district and the Presidency towns?

A.—It is quite possible provided the methods adopted are slow and not injurious to their credit. If you immediately adopt the audit and that sort of thing perhaps they may resent but with more education and facilities for cheaper money and co-ordination of the banks they would come round and see that the facilities are better and they will agree to the audit.

Q.—Your opinion is that they may be willing to subject themselves to these restriction gradually?

A.—Yes.

Q.—With regard to the exchange banks, their function is merely to finance the foreign trade?

A.—The export and the import trade of India.

Q.—They are serving a useful function in that way, is it not?

A.—It all depends upon the angle of vision. There are some who think that the exports of the country may be improved by other methods.

Q.—Is it by Indian-managed joint-stock banks?

A.—Provided they could be made to come out. They are existing in the country but they have not taken to the exchange business.

Q.—Why have they not done so till now?

A.—Unfortunately we are not in a position to say why the Indian joint-stock banks have not taken to the exchange business.

Mr. Thomas: Are you directly in touch with the indigenous bankers and is your Chamber dealing directly with the indigenous bankers?

A.—It is this way. The Chamber is an institution consisting of members some of whom are from the indigenous banking community also. The Chamber as a body does not do any such business. It is the members only who attend to it individually. The Chamber provides only the meeting place for both the indigenous bankers and the joint-stock banks.

Q.—Who forms the majority?

A.—The merchants are in a majority.

Mr. Gopala Menon: Do you want any restrictions to be imposed on the exchange banks in view of the deposits they are taking from the country?

A.—I would wish that a certain proportion of their capital ought to be Indian and ought to be invested in securities in India.

Q.—You are dealing in stock exchange?

A.—Yes.

Q.—You must have sold the shares of these exchange banks to the Indian public?

A.—The difficulty about them is that there is not much demand for them the registered offices being far away. It would be different if they open their share transfer offices in India. It is only then that the shares will be much favoured by the Indian public. To-day the investors do not take to the shares and the market quotations are not so attractive.

Q.—Your objection then is that they are not registered in India. Is it not?

A.—I may put it this way. If the exchange banks have the registration of their shares in India in one centre either at Madras, or Bombay or at Calcutta it would be much more profitable for the investors to invest in these shares and they will be dealt in the different markets in India.

Q.—What is your view with regard to the foreign insurance companies?

A.—These shares are never dealt in India at all.

Q.—Do you want them to keep a portion of their profits in India?

A.—There is a Bill in the Assembly proposing that a certain portion of the premium amounts ought to be invested in some way in India. Some portion of the share capital or premium amount should be invested in the securities of the Government of India.

Q.—You say that warehouses should be established all over the country by railway companies, firms and other institutions under licences and the receipts from these warehouses should be made available for advances from the banks. What I want to know is which is the authority that should build these warehouses?

A.—Possibly the Government may do it. Also the different commercial bodies might be allowed to have a warehouse.

The Chairman: Allowed to have a warehouse?

A.—Yes. It is this. If to-day somebody puts up a warehouse it is not recognized by any banks. In some countries there are certain restrictions put upon the running of warehouses. If there is an Act or something like a check on these things it may inspire a better confidence in the exchange banks. But to-day the warehouses owned by individuals are not recognized by the banks.

Mr. Govala Menon: Is it due to the fact that the private warehouses are not registered ones or is it due to the fact that the present warehouses are not *pucca* buildings?

A.—Not necessarily so. There are some warehouses which are very big and *pucca* built but they do not inspire confidence in the banks, or perhaps the banks do not want to have them.

Q.—You want then some recognized body either the Government or local bodies to build warehouses?

A.—Yes.

Q.—Then who will run these warehouses? Can you give us any suggestion?

A.—I would rather put it this way, Sir. The railway companies have their warehouses open to the public.

Q.—What we want to know is the kind of warehouses that you want?

A.—At present practically sneaking the State railways are coming into vogue and if the railways are taking to warehousing all the goods of private individuals, the railway being a big institution, they can easily be warehoused and the railway companies can co-ordinate with the public and the warehousing may be easily facilitated.

Q.—But the point is that in a place like Madras there are warehouses constructed by the Port Trust and also by the railways where the goods can be kept but in regard to the mufassal towns and important centres of agricultural produce who should build the warehouses? You only referred to a place where there is the railway station. I mean also places which are far away from the railway station.

Mr. Muhammad Ismail: In course of time we would like to have these warehouses not only at railway stations but also in important centres of agricultural and industrial produce wherein this improvement can be made use of by the producers.

Q.—In these places who should construct these warehouses?

A.—The co-operative societies in course of time may construct them. The Government themselves can make some provision to build warehouses and rent the warehouses. The municipalities and the local bodies may also build them.

Q.—Then who will undertake the work of running these warehouses? Would you lease it out under a licence?

A.—Yes, in many cases we will have to do that.

Q.—Then there is another question. You will require deposits from the people who come forward to run these warehouses. Will they be willing to give deposits?

Mr. Kothari: If it is paying certainly they will be willing.

Q.—You are for taking deposits for running these warehouses?

Mr. Muhammad Ismail: Yes. But we cannot bring this into vogue all of a sudden. That is why I said that the whole thing should be in course of time and then if people see that it is paying they will certainly be agreeable to provide securities.

Q.—You want the deposits made by the people in banks to be secured. Do you mean that provision should be made for safeguarding the deposits of the public in the banks?

Mr. Kothari: At present, Sir, the Indian Companies Act is so loosely worded that the audit is not well done. We propose that the audit ought to be a little bit more stringent so that their balance sheets may reveal exactly the facts as they are and then the safeguarding may be in that respect.

Q.—Don't you think that the balance sheets are all drawn up by the accountants of the banks and afterwards checked by the certified auditors?

A.—The auditors do give certificates. But the Indian Companies Act to-day is so worded that certain information which ought to have been revealed is not revealed at all by the balance sheets.

Q.—Have you thought of the amendments to be made in Indian Companies Act in that direction?

A.—If I forget not, I think that the Commerce Department of the Government of India has already communications on this subject of amending the Indian Companies Act. Some suggestions are already made as to what should be done in regard to the interests of the different investors. The disclosure of the accounts should be much more strictly adhered to and should give much more information on the lines of the American legislation. In America there is a legislation by which more information is required to be given in the balance sheets to the investors.

Q.—You say in your memorandum that the Imperial Bank is coming into competition with the other banks mainly because of the large Government funds controlled by it. Do you not think that the Imperial Bank is accommodating the other banks with the funds that they have got?

A.—It is a double-edged sword. If you have more funds you can give them a bad turn as well as a good turn by giving the other banks accommodation. My Chamber feels that all the banks should be on the same standing and one alone should not be in an advantageous position to the prejudice of the others. If the State Bank is coming into existence the Imperial Bank should not be given the present facilities enabling it to come into conflict with the other banks.

Q.—Now they are the bankers of the Government of India and they are expected to help the other banks. Is that not so?

A.—They are in the way, as I said before.

Q.—Can you then maintain this statement that they are coming into competition with the other banks?

A.—It is a fact, Sir, that the Imperial competes very largely with the other banks in the country by opening branches at places where there are existing the branches of other banks?

Q.—Do you mean to say that they are competing with the other banks in cutting the rates?

A.—Yes.

Q.—How?

A.—They have larger funds, the trust property and other funds from Government, without interest whereas the indigenous bankers have to pay interest on current accounts. Thus they are better able to compete with others. Having larger facilities and at cheaper interests they are better able to compete with anybody. In this connexion I will give you a small illustration as to how the Imperial Bank is competing with other banks. Till 1930 the Imperial Bank never used to charge any commission for sums below Rs. 5,000. But to-day since the beginning of 1930 for any sum below Rs. 5,000 they are charging four annas for discounting.

Q.—You say that their rates of discounting are high?

A.—They are very high.

Q.—But the reserves of the treasuries are kept with the Imperial Bank for the purpose of helping trade?

A.—Yes.

Q.—Do you not think that they are advancing for trade during the slump season?

A.—Because they lend at such time it does not mean that they are giving facilities. They can be said to help if their rates of interest were cheaper. But practically speaking, they are giving at a higher rate of interest than they should.

Q.—But the Multani bankers who appeared before us told us that they are getting advances from the Imperial Bank at the bank rate. So are they not helping them in that way?

A.—After all what is the bank rate? It is a fictitious rate. The bank rate in India is not the criterion as it is in America or in London.

Q.—How is the money market rate to be recognized?

A.—The official rate of the Imperial Bank is not the correct rate at which money is being borrowed and lent.

Q.—That is because you have not got an organized money market. Is it not? It is not due to the fault of the Imperial Bank of India.

A.—I beg your pardon, Sir. I would say it is not the fault of the Imperial Bank of India. If the inter-bank call money rate in England has come down from 4 per cent to 2½ per cent, immediately the Governors of the Bank of England would come down and reduce their rate of interest. But it is not so in this country. The rate of the Imperial Bank of India is raised or lowered in the interests not of the public but of somebody else, whether it is the Government or the Governors, it is for them to say. But the current rate in the country is quite different from the official rate.

Q.—What I want to know is how you can maintain the statement that the Imperial Bank rate and the lending rate of other banks has no bearing? Imperial Bank rate is fixed by the head office and is that rate not adopted by other bankers in the country?

A.—Perhaps you forget that money is like water finding its level. If cheaper money were available somewhere else the people would not go to the Imperial Bank. In 1929 end the rate was 7 per cent and the call money rate was 2½ per cent. The difference was so much between the two that some banks began ending at 5 per cent while the Imperial Bank rate was 7 per cent and even with that rate they took hundis at 6 per cent and 6½ per cent.

Q.—That is due to attract business by competition?

A.—Yes.

The Chairman: What should be the difference between the call money and the bank rate?

A.—The call money and the official rate ought to be near each other.

Q.—Why?

A.—If the call money is too low and the official rate for lending is too high the people go for the call money and give it at short notice. The result is that the Multanis and the Marwaris do not borrow money and there is stagnation for some time.

Q.—At present they are borrowing money?

A.—It is because the call money has gone up to 5 per cent.

Q.—When was it 2½ per cent?

A.—In November and December last and for some time no Marwari or Chetti would come out for loans. It so happened that the exchange rate was coming down in busy season and the Government wanted to prop it up and it could not be done without raising the bank rate.

Q.—But the Government does not do that?

A.—It is an open secret that the Governors of the Imperial Bank are being dictated to do it by the Government of India.

Mr. Gopala Menon: They are protected under the Act?

A.—The Governors of the Imperial Bank of India are practically dependent for their resources on the Government.

Q.—Therefore do you maintain that they are at the mercy of the Finance Department?

A.—They do depend upon them.

Q.—Do you want a bank like that to be made entirely independent?

A.—Yes, that is the cry of the land. There should be a reserve bank wherein the Government of India should not have a voice in the policy.

Q.—Even then the Government fund will be in the bank?

A.—But then the Government will not dictate the policy.

Q.—When the Government makes a large deposit in the reserve bank, being the biggest customer will it not dictate?

A.—If the preamble of the old Reserve Bank Bill be looked into it will be found that it was stated that the finance policy of the Government of India will be handled by the Reserve Bank. Practically speaking, the Government of India will have no interference in the financial policy.

Mr. Muhammad Ismail: It will not and should not.

Q.—With regard to the call money and the bank rate you say that the rates should be approximate as far as possible. The call money is intended to be paid at a moment's notice. Will it suit for any bank to take call money at a rate very near the bank rate or is it your view that the bank rate is arbitrary and the call money rate is more or less based on the current account rate?

Mr. Kothari: The call money is indeed approximately the correct rate at which money could be borrowed by the general public and that the official bank rate at which hundis are discounted is too high and that it is arbitrary.

Q.—I thought that the official rate depends on the need for money by the trading public. Is it not so?

A.—Not necessarily always. The official rate of the Imperial Bank of India at times is increased on grounds which the Governors of the Imperial Bank of India alone know. But one thing is certain and that is that the country does not demand that rate. The balance-sheet does not justify that rate yet. However, the rate is raised at times.

Q.—Your point then is that the other banks in the country are dependent upon the Imperial Bank rate and that is another reason for money getting tight for trade purposes in this country?

A.—That is a fact.

Q.—You say in the memorandum that the Indian investor is too conservative and panicky. That is rather a sweeping remark. Is it a fact?

A.—What is wrong there? Every investor ought to be conservative.

Q.—Why?

A.—All over the world the investors are conservative. Why should the Indian alone be blamed for being conservative while the rest of the world is complimented for it?

Q.—Then is it due to that that the Indian investors are not investing their money in industrial concerns?

A.—Certainly not. Because he is a conservative man it does not imply that he is not investing money outside.

Q.—We do not find many industries financed by the people in this Presidency at any rate. Why?

A.—You are suggesting to me, Sir, that the industries are not thriving in this country and in this Presidency because, the Indian capital has not flowed freely in regard to the financing of these industries. The reason is this. The rate of interest from investments in other ways is much more high than the yield from investment in the industries would pay.

Q.—Is it not due to the fact that the money is dear?

A.—It is. Money is very dear.

Q.—You have made reference to hoards in your written memorandum. Do you think that there is any considerable amount of money in hoards? Can you suggest any method by which we can attack this hoarding system?

A.—I would suggest one way, that is, if the general public be educated enough, if the whole of this propaganda be in the vernacular, if the balance sheets, cheques and the accounts are in the vernacular the people will understand more of the facilities and they will come forward to invest their funds. To-day the position is this. Excepting the few places where English is known by the people, the general public does not know how transactions are going on. The cheque has to be written in English only and the man should not write it in Tamil. If the vernacular of the country is made the language of the different institutions, for their balance-sheets, accounts and cheques and all other things the general public who know the vernacular will go to those institutions and their money will be coming out.

Q.—That is not the only remedy. Is it not on account of the money being dear in the country?

A.—Yes. But, because the facilities to the general public are not so good as they should be, money is not coming out. I will qualify my sentence thus.

Q.—By the different banking institutions?

A.—By the institutions and by everybody. To-day it so happens that the banking institutions have something like a cheque in English and the man very naturally having had no knowledge of the cheque or a look at the balance sheet he will feel shy of the institution.

Q.—That would not solve the problem of bringing down the rate of interest. Asked why the capital is not flowing to the industries you said that the people can find more profitable investments elsewhere which would offer them attractive rates of interest. You want industries to prosper in this country. How can we attract money to the industries?

Mr. Muhammad Ismail: Lack of facilities is a cause for the money actually in the country not flowing to the industries. Another of the causes is of course the conservative spirit of the people. It is an ancient social custom of the people to invest money in jewels. I do not think that the people for a very long time to come would give up the habit of wearing jewels. Why they hoard money is that they do not feel secure in investing their money in other ways. It has to be granted that there is not much sense of security amongst those people who hoard the money and we have suggested means to overcome this want of confidence amongst the people and for making them invest their money in banks and industries. That state of affairs will also require the better education of the people. Much depends on the state of education of the people, the sense of security in the country and various other causes too.

Q.—Is it due to lack of education?

A.—That is one of the causes.

Q.—It is so in rural parts particularly?

A.—Yes. Further they see somewhere some banker failing and that adds to their distrust of banking institutions and bankers.

Q.—Do not the people invest in Post Office Savings Banks and Cash Certificates? I presume those are made out in English?

A.—The system of hoarding has not in any way appreciably decreased in spite of this facility. But with further increase in education and with the development and popularization of the banking system, this system of hoarding may decrease appreciably.

Q.—Another thing you say is the laxity of control over joint-stock banks in this Presidency? How do you maintain that?

A.—Here the administration of the Act is merged in some other department, the Registration Department, and this leaves the Registrar very little time to spare. In Bombay and Calcutta the Act is administered by a separate department altogether.

Q.—But is it administered by a separate Registrar?

A.—Yes.

Q.—But will there be enough work for one separate department?

A.—I believe so; I think there will be sufficient work.

Q.—Is it because they are scrutinizing the balance sheets submitted to them properly?

A.—They are not doing it properly here now.

Q.—Have they got sufficient knowledge to scrutinize the balance sheets?

A.—My information is that they are not so qualified with regard to trade customs and so on.

Q.—So you think a separation is necessary?

A.—Yes.

Q.—Do you think the creation of Investment Trusts would encourage investments and help the industrial growth?

A.—The Investment Trusts would help the people to invest their funds and they will create more confidence because their investments are in various groves, so much so that if there is a loss in one, that will be made up by profit in the others and ultimately they are expected to make very good profit in the investments. This will induce more and more investments. The Investment Trusts have got that special knowledge in selecting avenues for investments which the ordinary man has not got and they will be able to offer him expert advice.

Q.—But that is being done by the banks?

A.—You mean in England. I am told that such Investment Trusts are abundant in Scotland.

Q.—Can the withdrawal forms of savings bank accounts be made negotiable? Will that attract more money into savings banks?

A.—It will attract more.

The Chairman: In that case what will be the distinction between a cheque and a withdrawal form?

A.—There will not be any difference except this, that is, the withdrawal form of the savings bank will be marked 'Savings Bank Account' on the face of the form.

Q.—What is the distinction then between the two accounts?

A.—In the current account the interest is calculated from day to day, but in the savings bank account if you draw between the 10th and the 30th of the month they do not allow any interest.

Q.—I know of cases where interest is calculated on the daily balance?

A.—My knowledge is to the contrary.

Q.—Do you say that it is an essential feature?

A.—Only then can they afford to pay such good rates of interest on savings bank accounts. The drawings out of the savings bank accounts ought to be limited also as far as possible. If it is liable to be withdrawn often then the bank will have to keep sufficient funds to meet the demand. In that case they cannot afford to pay 4 or 4½ per cent interest.

Mr. Gopala Menon: So you want post office savings bank accounts to be operated upon by means of cheques?

A.—Yes.

Q.—Do you think that practice is prevailing in any other country?

A.—If it is not prevailing in any other country I see no reason why we should not adopt it.

Q.—It is being practised in America?

A.—That only strengthens my contention.

Q.—Then it will help trade a good deal?

A.—Surely.

Q.—Now withdrawals from savings bank accounts are allowed only once a week?

A.—I think so.

Q.—Do you want any other amendment or modification to suit the convenience of the retail trader?

A.—At present money coming into the post office savings banks are not available to trade at all.

Q.—Do you want that savings banks should allow others to deposit money in the accounts in the name of the depositor?

A.—Yes.

Q.—Do you want post office savings bank to be issued in the vernacular?

A.—Yes. there are certain countries where they are issued in the vernaculars.

Q.—Now the co-operative societies have got savings accounts and co-operative societies are increasing in number. Will there be any collision between the two?

A.—The co-operative societies only touch a fringe of the population and there are ample scope for both.

Q.—You want them to work side by side?

A.—Surely.

Q.—Do you remember that the need for amendment of the post office savings bank was urged by the Babington Smith Committee who said "We recommend that the Government of India should examine how far, notwithstanding the admitted administrative difficulties, it may be possible to improve the present procedure for the deposit and withdrawal of money and to increase the number of post offices conducting savings bank business"?

A.—Yes. That makes our recommendation for amendment stronger.

Mr. Thomas: You have spoken about the exchange banks continuing in India and the necessity for bringing them under some control. How were they able until now to get a large share of the Indian depositors' money?

A.—Only the exchange banks offer facilities for financing the import and export trade of the country and most of the importers and exporters being Europeans they generally deposit their moneys with these exchange banks. Indians also who export or import goods feel a moral obligation on their part to place their current funds also in these banks.

Q.—If you want therefore to get more deposits there should be Indian exchange banks?

A.—I would very much like to have Indian managed exchange banks.

Q.—Do you think there is any possibility of such banks coming into existence in this country in the near future?

A.—There was already an attempt made by the Tata Industrial Bank but somehow they were not able to succeed. Hence they were amalgamated with the Central Bank of India.

Q.—Are you not aware of Nattukottai Chettis managing exchange business with other parts of Asia?

A.—They are doing exchange business with Rangoon, Singapore, Colombo and Malaya. They do not do this business independently but through the exchange banks or their branches.

Q.—You do not look forward to Indian bankers starting exchange banks in the near future?

A.—If the competition of the present exchange banks is reduced it will be possible. Now there is a ring of these exchange bankers and they do not allow anybody else to come in competition with them.

Q.—If you have Indian exchange banks and if they are patronized by all the Indians then surely they will be able to stand on their own legs?

A.—Yes, but what is wanted in that case is some facility for those banks and some kind of restriction on the foreign exchange banks.

Q.—What restrictions?

A.—For the safety of the depositors it should be laid down that a certain portion of the deposits should be invested in India. Their balance sheets at present do not reveal what portion of their deposits or investments are in India or elsewhere.

Q.—How do you know that?

A.—There is a cry at present that their investments are not made in India and they have not challenged till now the accuracy of that statement. But in this connexion we have to say that we are not in any way running down the services they have done to the country.

Q.—With regard to insurance companies do you think that Indian insurance companies have come to that level of efficiency and confidence which would enable us to rule out the foreign insurance companies?

A.—With all the emphasis at my command I can say they have come to that level of efficiency and confidence.

Mr. Gopala Menon: Are they gradually coming into competition with foreign insurance companies?

A.—They are.

Q.—In that case in course of time their business will be wiped out?

A.—But why not accelerate the process?

Mr. Thomas: Do you know what part of the money collected by the foreign insurance companies is invested in India?

A.—Very little I think. Their balance sheets do not disclose what actual amount they have invested in India. They do not show in their reports what portion of their investments are in India. They say some funds are invested in India but do not say exactly how much. I think a major portion is invested outside India.

Q.—I suppose you are in a position to give us some definite information as to the export and import trade of the country with a view to bring out the necessity for the improvement of the marketing facilities?

A.—My chamber would surely suggest that there should be better marketing facilities for a number of crops that are grown in the country. For example there is a very good harbour at Cochin and there should be a market for tea, copra, rubber and pepper established there. There being such big crops their auctions may be conducted similar to those of Colombo.

Q.—You would like to have organized markets as in Colombo?

A.—Yes.

Q.—Do you think such organized markets will enable the Indian producer to get a higher price?

A.—It will enable him to get at least the market price. At present he has to rely on the exporter, he does not know whether his goods are appreciated or not and whether he is to extend his produce. At this juncture I will say something of the tanning industry. It is the most important industry in this Presidency; other provinces are also concerned with this industry. This industry employs men from the lowest class of society to the highest. Most of the raw hides are produced by people who are called Chamars (Chucklis) who form one of the poorest classes. The raw skin or the raw hide passes from the primary purchaser to the foreign consumer, through different hands. First it is collected by small middlemen or petty merchants. Then it comes into the hands of bigger collectors. A good quantity is then being sold to the exporter of raw skins or hides for being exported in raw form. The rest goes to the Indian tanner and is tanned and exported to other countries as tanned skins or hides. A good portion of the output of these tanneries is sold against firm orders and their value is got by drawing bills on letters of credit. The remaining portion of the tanned articles are being sold in auction in London.

Q.—Could you say how at the various stages the industry is financed?

A.—The small collector pays cash to the Chamar and in his turn gets cash from the bigger collectors or merchants. These merchants sell, for cash or on credit for a few days, direct to the exporter of raw skins or to the Indian tanner; or in many cases they send their goods to mandies for sale on commission basis. This is the raw-material portion of the tanning industry.

Q.—Are those merchants independent persons?

A.—Some of them are independent merchants. Those who collect direct from the Chamars are the petty merchants and many of these small collectors get standing advances from the big merchants, some of which big merchants also get advances from either the tanneries or mandies. In return for this advance, the goods have to be sent only to those who have paid the advances. Sometimes the tanner also attends the shandy himself where these raw skins come for sale and makes his own purchase for cash payment. Sometimes, some tanners buy from mandies on credit.

Q.—What is the difference in price from the time it leaves the hands of the Chamar till it reaches the hands of the foreign exporter?

A.—From the time it leaves the hands of the Chamar till it goes to the tanner or the exporter of raw goods the difference will ordinarily be 5 or 6 per cent ; but it may be still more sometimes.

A parallel to this can be found in the cotton trade of Bombay and Madras. In the Madras Presidency the cotton that is produced is two-thirds of that in the Bombay Presidency. The cotton market of Bombay is one of the best organized markets. There the farmer does not at all sell to the middleman but sends his goods on to the broker who sells it at the auctions at the East India Cotton Association. The cotton that is brought in is tested and the strength and length of the fibre and the quality are found out. Hundreds and thousands of similar qualities are auctioned at that place. Thus the producer by taking it direct to the broker avoids four or five middlemen. The farmer knows also what exact price he gets for his produce. But it is not so in the Madras Presidency. Here the merchant does not know exactly what price he is getting and what is the prevailing market price. It is one of the functions of the Government to help to organize a market.

Q.—Was it the Government that organized the cotton market in Bombay?

A.—In the very early stages the merchants started it but the Government came to their help and acquired for them the buildings and the place to build godowns.

Q.—So you want the market to be organized?

A.—Yes.

Q.—What is the normal size of a tannery in this Presidency, I mean how many persons are working in an ordinary tannery?

A.—An average tannery has about 80 to 100 men working in it. There are also tanneries in which there are 200 to 300 workmen. In the Madras Presidency we can say it is more or less organized.

Q.—Most of the workers in those tanneries belong to the depressed classes?

A.—Yes, most of them are Chamars.

Q.—Do you not think that these tanneries will come under the Factories Act?

A.—No, because no machinery is used there. Moreover it will not be to the advantage of anybody, either to the labourer or to the industrialist.

Q.—In the case of the tanner does he work on his own capital or on borrowed capital?

A.—A portion is his own capital and a portion borrowed. For example if a tanner produces 500 tanned skins per day he requires a capital of about Rs. 1,25,000 to Rs. 1,50,000. In that case he will ordinarily get about Rs. 40,000 from the exporting firm or mandi, which amount is called standing advance. That secures goods being sent only to that particular exporting firm or mandi. Besides, the exporting firm or mandi pays to the tanner as goods-advance anything up to 80 per cent of the probable market value of the tanned skins and hides, on receipt of the railway receipt with regard to the regular customers, and on the arrival of the goods with regard to others. Most of the tanners do not get any facilities from the bankers at all ; they mostly go to the mandi people or the export houses.

Q.—These moneys are advanced and borrowed on open accounts?

A.—Yes.

Q.—Why not these accounts be converted into hundi transaction?

A.—If the banks are prepared to discount the hundis more freely it can be done to an extent at least.

Mr. Gopala Menon: You think it is quite possible that a certain portion of those accounts may be converted into hundi transactions?

A.:—Yes, but now the Imperial Bank discounts freely only the hundis tendered to it by the Multanis and most of it is done because of the latter's personal credit.

Mr. Thomas: You have mentioned in your memorandum the lack of warehousing facility. What kind of warehouse do you want?

A.:—Warehouses the receipts of which would be relied upon—warehouses which do not belong either to the purchaser or the seller.

Q.:—Supposing we create warehouses of that nature could you strengthen our bills of exchange through that?

A.:—It all depends on the facilities you give.

Q.:—Do not the Multanis and Marwaris accept the hundis proceeding from these people?

A.:—Their rates are very high for each and every hundi coming up like that. I would rather much wish that warehouse facility should be had with a hundi.

Q.:—Even in England there is the discounting and the accepting house. Cannot the Multanis and the Marwaris be trained to develop into bill brokers?

A.:—They are bill brokers to a large extent.

Q.:—Are they not more money-lenders than bill brokers?

A.:—It is the other way. Multanis particularly are more bill brokers than money-lenders.

Q.:—Do you mean that they are dealing in accommodation bills a good deal? In other countries the difference between the bill brokers' rate and the discount rate is so little whereas in this country it is so high. Why?

A.:—The difference is 3 to 4 per cent here in India simply because along with this the Multanis and the Marwaris are doing other business. To compensate for their risk they are charging a higher rate.

Q.:—Could you not reduce it?

A.:—It depends on the security. It is only something like a hundi. It has not been supported by any other thing, not even by a warehouse voucher. But in England or in America if a bill broker is to invest money or give money he will always do it along with the warehouse receipt. If the security is more they may reduce the rate.

Q.:—So facilities are the most important—the erection of warehouses and the creation of proper security?

A.:—Yes.

Q.:—In that way also we may reduce the disparity between the bazaar rate and the discount rate of the bank?

A.:—Earlier we had been talking about the official rate of the Imperial Bank of India and the hundi rate. Either the actual rate of lending in the bazaar is much higher or in some cases it is lower even. I should rather think that it is never lower.

Q.:—You were saying that the call money rate was lower than the bank rate?

A.:—Yes.

Q.:—About ten years ago in Bombay the bazaar rate was much lower than the Imperial Bank rate?

A.:—At times it may be so.

Q.:—Any way by the Imperial Bank raising its rates the bazaar rate cannot always be affected?

A.:—It all depends on the trade then. If the trade demands more the rate of the Imperial Bank will have no effect at all.

Q.:—So how could you make the bank rate in this country more effective and more useful to the country?

A.:—Now the Imperial Bank of India is looking only to the interests of the shareholders and not to the interests of the country.

Q.—The Government has to manage it for the interests of the country?

A.—My Chamber has all along been saying that if a State Reserve Bank controlling their credits, their currency and their finance independently of the Government of India would come into existence all these difficulties would be obviated. If the country can have such a bank the present difficulties would certainly go away.

Q.—Even if we have a Reserve Bank, some of the difficulties about having proper commercial bills will not immediately go away unless we create the necessary securities. Do you not think so?

A.—That of course is necessary.

Mr. Mahomed Ismail: The Reserve Bank also will go a great way to bring about those facilities. There should also be some kind of co-ordination between these bankers. All that can be brought into being only by such a Reserve Bank.

Q.—Unless we prepare our indigenous bankers and stimulate the joint-stock banks and also improve our own financial methods how could we utilize the Reserve Bank to the fullest extent?

A.—When it comes into being there will be some regulation that if they are to be bankers they should conform to such and such rules and regulation. That will inspire confidence in the people and so the facility will be helped to expand and banking will become more and increasingly popular amongst the people.

Q.—In regard to the regulation of banks do you think that the present rules regulating joint-stock banks are ample?

A.—No, Sir.

Q.—Do you think that the Indian Companies Act is sufficient to guarantee the interests of the depositor?

A.—A better audit is necessary.

Q.—Could it not be brought under a new legislation altogether, say under a new Banking Act?

A.—Yes, just like the American Banking Act.

Q.—Suppose we prescribe a minimum of capital for a bank to begin work.

Mr. Kothari: It will be a handicap in the earlier stages.

Q.—There are so many small banks which are not functioning properly and which are injurious to the people as they have not the necessary credit. In the West Coast particularly there are too many small banks.

A.—I do admit that something like a safeguard may be desirable, but in the present conditions of the country such a step may not be justifiable.

Q.—Why should you not have big banks with branches all over the country?

A.—If there had been scope certainly a big bank would have come up. The smaller banks themselves are struggling and striving.

Q.—Is it not due to the fact that our rates of interest are still keeping so high?

A.—I personally believe in one thing and that is conditions do not favour existence of a big bank in remotest corners. The conditions may change by the spade work done by the smaller banks and later a big bank may come into being.

Q.—Supposing we prescribe a certain qualification for the directors and also lay down that one man should not be director of more than two separate banks?

A.—There is a convention like that. There is also a qualification for the director that he should take so many shares and if a man is the director of two banks or more, the secrets of the bank or banks may be disclosed by him and hence the convention that one man cannot be the director of two banks.

Q.—Is that convention respected now?

A.—So far as I know there has not been a single instance where a man is the director of two banks.

Q.—Do you mean joint-stock banks even including nidhis?

A.—I am not speaking of the nidhis.

Q.—But they come under the Indian Companies Act?

A.—They are limited concerns, that is all.

Q.—They have got to conform to all the requirements of the Indian Companies Act?

A.—The nidhis are exempted from certain clauses of that Act and those clauses are the most important clauses.

Q.—The nidhis have really to conform to the sections of the Indian Companies Act but they claim to have exemption in regard to certain sections. The Government do not agree to that and the Act is still in force though the Government may not have exercised their power under the Act?

A.—The fact that the Government have not exercised any power shows that they have granted exemption.

Q.—The Indian Companies Act has practically nothing to say in regard to reserve funds?

A.—No.

Q.—The banks always keep a reserve fund to guarantee deposits at any time if it finds it necessary to pay back the deposits. There is no provision for that in the Act and many banks do not have sufficient reserve funds accumulated to guarantee the depositor. Most countries excepting England have regulations in regard to that?

A.—The convention is that particular institutions keep their resources in places where it would be most beneficial to them.

Q.—But do they keep their reserves?

A.—There are banks which keep a reserve fund of Rs. 1 crore though there is no provision for the same.

Q.—At any time there might be a run on any bank and failure of one bank may mean the failure of a number of banks?

A.—My Chamber would not like to have any control on the reserve as the banks are only in their initial stage. What will happen if you have a check on the reserve? It will all be invested on Government securities.

Q.—We want first of all a certain amount of cash reserve and liquid assets?

A.—But then they will not be able to make anything on the reserves.

Q.—Which is more important—the resources of the bank or the safety of the public?

A.—Safety of the public is equally important.

Q.—Does your Chamber expect that our country will learn by the experience of failure?

A.—I did not say as much as that. I am not talking of the nidhis. My Chamber does believe that the directors are capable of safeguarding the interests and any further check on that would practically be a handicap.

Q.—And yet new countries like Canada have developed banking considerably. Are you not aware that many banks do not reserve any part of the profits?

A.—My impression is, Sir, that they always take a large portion of their profits to the reserve.

Q.—Do you think that most of the shareholders do not take any personal interest in the matter and should not the Government guarantee the interest of the depositors?

A.—I would not like the Government's interference in the matter.

(The representatives then withdrew but were re-called on Friday 11th April 1930. Mr. M. A. Muthiah Chettiyar, B.A., was also present.)

The Chairman: You are the Secretary of the Hides and Skins Merchants' Association?

Mr. Ismail: I am one of the honorary secretaries.

*Q.—*What is the present position of the tanning industry? Does not the Hides and Skins Merchants' Association include both dealers and tanners?

*A.—*Yes.

*Q.—*They are mostly both?

*A.—*Yes, there are members who are purely tanners who tan raw skins and hides and send the goods up to the mandi people or to the exporting houses. There are other members who are merely mandi people who sell the goods of tanners on commission basis and then again there are other members who are exporting them for sale in the London auctions or sell direct for firm orders.

*Q.—*But first of all there are the skins and hides tanned and sold in South India itself?

*A.—*Most of them are not sold in South India. The goods which are generally sold in South India are for the purposes of water buckets for the agriculturists. Such buckets are generally purchased for cash. Then some leather is consumed for book-binding. Mostly they are also sold for cash. In certain cases it is for short credit also. But such sales are small. Some are also exported to other parts of the country as Calcutta.

*Q.—*How does the tanner actually get rid of the goods? Does he take it to the shandy himself?

*A.—*If he is a small tanner and does not want to engage the services of a middle-man he takes it to the shandy himself. On the other hand there are big tanners who sell only a portion of their output for internal trade and such people sell to the small merchants.

*Q.—*And the small merchant mostly takes it to the shandy?

*A.—*He keeps it in his shop for sale or takes it to the shandy.

*Q.—*The tanning is confined to very few localities?

*A.—*There are many places like Dindigul, Trichinopoly, Coimbatore, Madras, etc.

*Q.—*There are also a very large number of tanners in the neighbourhood of Vaniyambady?

*A.—*Yes. Madras is also a big tanning town.

*Q.—*The distribution is done by the small merchant?

*A.—*Yes, the distribution for internal consumption.

*Q.—*Who puts up the money for distribution?

*A.—*The tanner sells for cash, to the small merchant.

*Q.—*And the small merchant, does he work on his own capital or does he borrow?

*A.—*He has to find his own capital.

*Q.—*Is there much lending in the trade?

*A.—*There is not much lending in the trade, of course, there are some credit dealings but the generality of cases are for cash only.

*Q.—*So the shop-keeper has to pay you cash and he works generally on his own capital?

*A.—*Yes.

*Q.—*Would it be possible for him to borrow, if necessary?

*A.—*For borrowing he should be known to the people and then the question arises as to who is prepared to advance him money. At times he does borrow money on the security of his landed property and in certain cases on his own personal security. But he does not get much money that way.

*Q.—*The bulk of the output of the tanneries goes to the European markets?

*A.—*To the European, American and Japanese markets.

*Q.—*Where is it most?

*A.—*The major portion goes to London.

Q.—At whose expense does it go?

A.—An average tanner who tans about 500 skins per day requires a capital of about Rs. 1,50,000. A considerable portion of it will be invested in buildings and a small portion as fixed standing advance to the labourers. A certain portion is required as floating capital for purchase of raw materials. A tanner who invests Rs. 1,50,000 gets from the exporting house about Rs. 50,000 as permanent advance. This also is put in the business. He tans the goods and these are railed to Madras mostly. I am speaking of the export tanner who sends his goods for sale in the London auctions. As soon as the exporting house receives the rail receipt there is a fixed rate of advance that is given which depends on the quality and the probable market value of the goods. This advance amounts to anything up to 80 per cent of the probable value of the goods. With this advance the tanner again purchases raw skins to be tanned. The goods are shipped by the exporter and all the expenses are met by the tanner until the goods are sold. The tanner has also to pay warehousing charges for the goods in London. After the goods are sold if there is any surplus then it is remitted to the export house and that house disburses the amount to the tanner.

Q.—The export house is paying advance to the tanner on the security of the goods handed over to them?

A.—The standing advance is secured on the tannery buildings. The first security is the goods and the movable property, then the tannery buildings.

Q.—Is there any mortgage?

A.—Yes. Further in many cases there are mortgages of other properties of the tanner also.

Mr. Kothari: There is one disadvantage in this system of the shipper advancing money to the tanner and that is that he has practically speaking the absolute right of disposing of the goods manufactured by the tanner. The manufactured goods should go through him only and the latter has no option of going to another shipper or another exporter.

Q.—If he has to go to another man, he has to clear his debts; is that not reasonable?

A.—Yes, but the difficulty of the tanner is that he is tied down to a particular man who will fleece away all his profits.

Mr. Gopala Menon: Has the Hides and Skins Merchants' Association thought of relieving the tanners from this sad state of things?

A.—With regard to this standing advance there may be industrial banks which can advance the money.

Q.—What I want to know is whether he can get fair accommodation in any other way?

A.—As long as the financial position of the country is what it is to-day there is not much scope for improvement. At present the banking world in India does not believe in immovable property.

The Chairman: But that is the result of experience?

A.—Yes, it is true to some extent; it does not pay bankers to run industrial concerns. Industrial concerns should be considered to be valuable and money should be advanced on that security as collateral security. Now they do not do it.

Q.—May I ask why they do not?

A.—It suits them not to do it. They have been able to get better ways of utilizing their money.

Q.—Is money scarce?

A.—That is the cry of the country.

Mr. Gopala Menon: What is the experience of an individual who had advanced money on landed property and who wants the payment punctually. Has the money been repaid in time or has the lender generally to go to court and recover the amount by bringing the property for sale or by taking it himself?

A.—If there is a sufficient margin kept at the time of advancing money then the lender is safe.

Mr. Thomas : Were you urging that the banks should give loans on the security of land that the tanner may possess in the mufassal?

A.—As additional or collateral security they can advance money on that also.

Q.—Do you think that these long-term loans should be advanced by the ordinary joint-stock banks?

A.—Industrial banks would suit better.

Mr. Gopala Menon : There is a great deal of finance that is wanting now between the time the goods leave the mandi and reach the exporting houses?

A.—Yes.

Mr. Ismail : I mentioned to the Committee only that section of the trade which sends the goods to the London auctions. There is another section which sells direct to firm orders.

The Chairman : The tanning firms are selling their goods chiefly through firms in Madras?

A.—Yes, they are not exporting it themselves.

Q.—Are there not some firms that are doing it?

A.—The big tanners are doing it, but the ordinary tanners are not able to do like that. The latter made use of the Madras market or the mandi to market their goods.

Mr. Thomas : What are the inconveniences of these standing advances?

A.—These tanners have to export their goods only through those exporting houses. The feeling amongst the tanners is that if they are able to wait some more time they will be able to get better prices. As it is the goods have to be delivered to the export house and they ship it when they like.

The Chairman : But cannot they say when the goods ought to be sold?

A.—No. At times the exporter here or the seller in England may comply with your request but not always. If you have not received any advance from them you can ask them to wait but they may say they want the money badly and sell the goods.

Q.—But if the man is a sufficiently solvent person can he not raise credit from a number of different sources?

A.—Unfortunately in India immovable industrial security is of no value for raising finance.

Q.—But he is able to get the standing advance?

A.—Yes, he gets the standing advance on the goods and on a small portion of the immovable property.

Q.—But to what extent is he nailed down?

A.—The shipper has practically speaking a monopoly of the business and as it suits him he charges exorbitant rates of interest.

Q.—What is the rate he charges?

A.—Nine per cent.

Q.—Is that a flat rate?

A.—Yes.

Q.—But the rate is a matter of credit?

A.—Yes.

Mr. Gopala Menon : There is the man who collects the skins and takes them to the mandi and there is the mandi man or the small merchant who takes it to the tanner and the tanner takes it to the export merchant. Each man gets a share of the profits. Is it not possible to eliminate the first two and cannot the tanner collect the skins and hides direct?

A.—It will not be possible because there is no regular market from where he can purchase the goods. The quantity obtainable at each centre is very small and he cannot afford to pay the railway freight and all other charges for going and purchasing.

Q.—That means that you will have to organize regular markets at each of those centres?

A.—Yes.

Q.—Why not you send down your own agents as do the groundnut merchants?

A.—They do send at present their agents to certain places to get the skins and hides, especially during certain festivals.

Q.—Just as the export houses in groundnut send their agents to buy the raw material and then decorticate it, the tanneries themselves send their agents to collect the raw materials?

A.—Some of them send their agents to collect raw skins at certain seasons of the year when skins can be obtained in greater numbers.

Q.—So, if that sort of thing is developed you can eliminate a little bit of wastage, and for that you only want a little more financial help?

A.—Of course financial help is necessary.

Q.—Then do you not think that we can organize the industry as a whole?

A.—Of course we can organize it on a better scale. But then we are speaking of the tanning trade now and the tanning trade really begins after the purchase of the raw materials.

Q.—What I want to know is whether the tannery itself can get the raw material?

A.—Not always from the primary producer.

Q.—Are there practical difficulties in that?

A.—Yes.

Q.—Can you not send your agents?

A.—The cost will be much more than the commission.

Q.—What I want to get at is why you cannot organize it in the different places near the tanneries and try to prevent any sort of wastage.

A.—The co-operative system in areas which produce a large number of skins or hides might be tried. These skins or hides might be brought to these societies and kept there awaiting a better market.

The Chairman: What is the extent of the Madras leather supply compared with the London market?

A.—I am not in position to give the figures.

Q.—What proportion of the skin auctioned in London is supplied by Madras?

A.—I do not have the exact figures now in hand. But India's place is an important one in the supply of skins and hides to the world. Our contention is that the world cannot do without Indian leather.

Mr. Thomas: In India the supply from the Madras Presidency is the most important, is it not?

A.—Yes.

Q.—Why should there not be an organized market in Madras itself so that the firms in London can purchase here? In that case you can create trade bills and raise money thereby instead of having to go in for advances.

Mr. Kothari: A parallel is found in the cotton market of India. Bombay is a big cotton selling centre as well. It forms a fairly good portion of the import trade of England because there are facilities of marketing and warehousing at Bombay. Every market from the Continent and England is buying cotton in Bombay. In the same way it is possible, if the facilities are being afforded, to create a market for hides and skins in the Madras Presidency and anybody who wants to buy should come down to Madras to buy.

Mr. Muthiah Chettiyar: What does Rs. 35 to Rs. 40 crores represent?

Mr. Muhammad Ismail: It represents the gross value of skins and hides and leather articles produced in the country. That includes not only the tanned skins and hides but also the leather articles, such as, shoes, boots, buckets, book binding, etc. All these put together are estimated to be about 40 or 50 crores. Deducting the value of the exported raw skins and hides they have put it at 35 to 40 crores.

Q.—The total value is about 50 crores of which the value of raw materials is Rs. 9 crores and the rest is the value of the tanned leather?

A.—Yes.

Q.—Out of this 35 to 40 crores how much goes to Madras?

A.—About 85 per cent of the total export of India is from Madras.

Q.—You say raw hides and skins come to 9 crores. I suppose all these are fully exported?

A.—Yes.

Q.—Besides that, the export of tanned skins and hides from Madras is 7 crores?

A.—Yes.

Q.—So a major portion is consumed in this country?

A.—Yes.

Q.—If I remember right it is only 5 per cent of the total in the whole of India that is consumed in the country?

A.—It takes into consideration not only these export tanneries—the Madras tanneries are called the export tanneries for purposes of finance. These mainly manufacture for export to foreign countries. But there are other small people. This tanning industry is also conducted as a cottage industry in almost all parts of northern India.

Q.—I take it that a good portion is used for local consumption in India. But is it as much as this?

A.—With regard to the Madras organized export trade a major portion of the output is being exported but there are other people; there are the Chakliyas for instance who soak two skins in a week per head and manufacture soles or buckets. There are millions of articles that are manufactured in that way.

Q.—My contention is this. You say that the local consumption is about 30 crores. But that cannot be based on any correct basis and that has been accepted by exporters also.

A.—The Indian position is strengthened in this way. If England produces 100 skins or hides she consumes all the 100 pieces and imports further leather for her own requirements. Therefore there is no quantity to spare in England. But taking India's production to be 100 skins or hides she is able to spare at least 20 skins or hides. Therefore the surplus quantity in this country is much more than in any advanced country in the world and so India's position in the world is predominant.

Mr. Thomas: The conclusion is that we should have an organized market in Madras itself and thereby we may do away with the difficulties of marketing and financing?

A.—Yes.

The Chairman: Why not that be done?

A.—Because there are no financial facilities.

Q.—Am I to understand that the tanneries are unable to raise the capital to build godowns for marketing purposes in Madras?

A.—With the present financial help that they receive it is not possible for them.

Q.—So far as the financing aspect of it is concerned I presume that the banks can do that?

A.—The banks are not doing that.

Q.—The banks, I presume, are providing the financing of the export?

A.—Yes. That is used up for sending the goods to London.

Q.—If you had your own auction locally the banks would finance that also?

Mr. Kothari: If we had auctions here in India, the banks will finance and they will go on financing even the internal trade.

Q.—Why not they do it? May I take it that it is due to lack of funds?

A.—It is due to lack of facilities also. Something like an incentive should be given by Government.

Mr. Thomas: There is a Cotton Board for cotton in Bombay. In the same way have you not got an association here?

A.—There is an association here, the Skins and Hides Association.

Q.—What initiative can they take?

A.—In Bombay the initiative came from the Government itself. There were the brokers on one side, the exporters on one side, the dealers on one side and the Government on one side.

Mr. Muthiah Chettiyar: About this export trade what is your latest demand about it?

Mr. Mahomed Ismail: If the tanning industry fails protection is absolutely necessary. The rate of protective duty was 15 per cent. But it was reduced to five per cent in 1923 and the tanneries are demanding the restoration of the duty to the original rate of 15 per cent.

The Chairman: Duty on what?

A.—On the export of raw skins and hides. The idea of the tanneries is that all the materials should be exported in the tanned form as far as possible and with regard to this particular industry it is also possible to reduce a very good portion of the raw materials into tanned or manufactured form because we have got an industry already established in the country and shown its capacity for expansion during the War.

Mr. Muthiah Chettiyar: After the reduction of the duty has the total export decreased?

A.—After the reduction of the duty the proportion of the tanned to the raw exports has decreased.

Q.—You say that there are about 500 tanneries. Has any tannery broken down?

A.—There are many tanneries which have been closed down. Even now the whole tanning business is in a depressed state.

Q.—If the duty is again raised to 15 do you think that the raw hides in Northern India would come over to Southern India?

A.—Yes.

Q.—Were they coming before when the duty was 15 per cent?

A.—The duty was allowed to remain at that only during that period when the whole world was depressed in trade and it was not given sufficient time to show its benefits. As soon as the world trade was restored and with it the tanning trade, the duty was cut down.

Q.—Would your association approve of a cess being levied in place of the duty?

A.—Provided it is as fixed as the export duty and it is only on the export of raw skins and hides. Of course we would rather much prefer the cess to be in our hands than in the coffers of the Government as that can be used for conducting the auctions in London and building warehouses.

Q.—Can you not tan the skins and hides cheaper here?

A.—India has got certain facilities and is trying her best to compete with the foreign countries still. She has not left off her attempt in competing with the world.

Q.—What is the necessity then to export raw materials?

A.—In spite of all this, there are the vast financial facilities in other countries which are not available in India, that is, their capacity for mass production. They have also protective duties. If our tanned articles are being exported they are taxed. The other States protect their own industries even if the relative merits be inferior.

Mr. Gopala Menon: In the matter of the tanning industry can you cite any instance?

A.—Yes. There is Germany. Germany is allowing our raw hides free but she is taxing our tanned hides. Originally America was buying our tanned skins and hides. It was 30 or 40 years ago. For some time America took it into her head to buy only our raw materials and not our tanned hides and she wanted to foster her own industry. Hence she levied a duty of 33½ per cent on tanned articles. It was only after she established her industry that she cancelled the duty. Another reason I may tell you, Sir, is the exchange, the present financial policy of the Government.

Q.—You say you are making an advance to the mandis on the production of railway receipts?

A.—Not advances to the mandis. The mandis are making advances to the tanners on the production of railway receipts.

Q.—Have you experienced any difficulty in making advances on railway receipts, the goods being taken delivery of by the execution of an indemnity bond?

A.—There may be a few cases of *mala fides*. But then in most cases there is no complaint in regard to that and the goods turn out to be as they were expected.

You spoke of the competition between the exporting houses. Whatever competition there might be the handicap is there. They have got an understanding that the trade is to be done only on such and such lines. There are of course sufficient number of exporting houses. I also belong to one of the exporting houses. I am a tanner as well as an exporter and yet there are certain conditions which are imposed upon the tanner. He cannot have a commission for the goods once he gets an advance. They have to be sold in the ordinary course of things. I wanted to tell you all the facts as they are.

Another thing is with regard to the advancing of money on mortgage of landed properties by banks. There is some reason on their part also feeling rather shy because there are the formalities of the mortgage to be gone through and they cannot lay their hands on the properties for default. If there are some more facilities with regard to these perhaps they may come forward more freely to advance money on such securities.

Mr. Muthiah Chettiyar: What do you think of the equitable mortgages? Do you think that this privilege should be extended to other countries or at least to important countries?

A.—We would welcome the extension to important towns.

The Chairman: In which capacity would you welcome that?

A.—In the interest of the country as a whole.

Mr. Kothari: If equitable mortgages are introduced in all the important places, then that will become a negotiable security and from one place to another more money will be coming at a cheaper rate.

Q.—Then are you not creating a considerably more unregistered mortgage debt?

A.—To create a registered mortgage debt is at times delicate and at times inconvenient to the man who wants the mortgage and because of that he does not do that. But that would not be the case if equitable mortgages were allowed in big towns.

Q.—That will enable him to borrow from two persons at the same time?

A.—When equitable mortgages have been allowed in Madras why cannot it be allowed in the big towns?

Mr. Gopala Menon: If you were a banker would you advance on equitable mortgages?

A.—Yes. It has been conceded that equitable mortgages are better securities than registered mortgages and are easily negotiable and the man who wants a loan gets it easily without much of inconvenience and the stamp duty is saved.

Mr. Thomas: Would you mention the towns in the Presidency where it could be introduced?

A.—In almost all the municipal towns.

Q.—You have in your memorandum stated about the necessity for industrial banks. What kind of industrial banks are you thinking of and how do you propose to start them?

A.—The industrial banks in different countries are given advances by the Government of those countries and they give long-term loans to the different industries.

Q.—Have we got in this country such long-term investment awaiting the formation of industrial banks?

A.—Practically speaking, the whole trade in hides and skins does require long-term loans.

Q.—Do you know that in Germany the co-operative banks and certain intermediate banks finance such industries? But have you got the foundation on which to work in India as in Germany?

A.—In India unfortunately the local banks are not very many and those banks that are working at present are only exchange banks. Personally I would say that they are for the export and import trade alone. They do not care to go into the manufacture or inland trade of the country and therefore the necessity has not been thought over. But if their registered offices were in India and they had the interests of the country they would have by now started industrial banks.

Q.—Would you have the banks themselves start them or the Government?

A.—I would much wish that some of the capital comes from the Government and part by way of shares or debentures and then there can be a double control by a Director appointed by the Government and two Directors elected by the shareholders.

Q.—On what terms should the loans be given?

A.—These are questions of detail and may be left to the man who wants to organize an industrial bank as he would be better able to do that.

Q.—Have any industries failed?

A.—Some may have failed. But that may be due to several causes.

Q.—In Germany the intermediate banks have experts who go through the industries and select those which can be financed and then the advances are given. Can it be done here?

A.—In the same way here also you require a careful examination of the industries and the methods. I mean that these banks are not going to be blindfolded in giving advances. They also will have experts.

Q.—Have you thought about the relationship between the Reserve Bank and the other existing banks?

A.—We have already practically said that we do want something like a Reserve Bank working directly with the other banks. We have already replied that question.

Q.—I am not speaking of the necessity for a Reserve Bank but the possible relationship of the Reserve Bank and the existing banks. Would you bring the whole thing into one system?

A.—I would rather wish that all the capital and business of the banks must be recognized by the State Reserve Bank for the loans to be given to them and these banks should be working for the Reserve Bank. As a parallel I may say that the Government of India is putting large funds into the Imperial Bank of India without interest. In the same way the State Reserve Bank may give at a low rate sums to the banks.

Q.—In what way could the Reserve Bank's funds be made available to the Indian bankers called the indigenous bankers?

A.—That is a very difficult question to answer.

Q.—Have you thought of the possibility of starting Investment Trusts?

A.—Yes, they should be started by private effort and such concerns are very good.

Q.—In the opinion of the Chamber would it be better to have one Reserve Bank for the whole of India with branches in the Provinces or separate Reserve Banks and to have one Federal Reserve Board?

A.—We could have only one Reserve Bank.

Q.—Have you thought of the possibility of one or two provinces dominating in that case?

A.—The interests of the whole country will be safe in the hands of that one Reserve Bank.

Q.—In what way would you increase the scope of the savings banks? Is there any chance of having more savings banks started in the mufassal? Is it possible to leave the work of conducting it to the village patel or the village munsif?

A.—I have not thought about it.

Mr. Muthiah Chettiyar: You say that Industrial Banks would give liberal loans to investors for long periods. Do you think they will be able to attract long-term deposits?

A.—I think so.

Q.—What is the period of the long-term loan that is required?

A.—I would consider it from 3 to 5 years.

Q.—Can you get deposits for five years?

A.—Even if you do not get, as soon as some deposits are withdrawn others will be coming in.

Q.—For what purpose do you want these long-term loans?

A.—Just to finance the industry.

Q.—Is it to finance the industry for the purchase of goods for manufacture or for fixed assets as erection of plant and machinery, etc.?

A.—Mostly for fixed capital.

Q.—Do you not think that money required for fixed capital expenditure like buildings and machinery should be raised by way of subscriptions of share capital?

A.—The major portion can be raised in that way but a small portion, say, 30 to 40 per cent, can be raised as loans from industrial banks.

Q.—That will mean that the public have no confidence in that concern and they are not prepared to invest their moneys in that concern?

A.—The public may not know the prospects of the concern so well as an industrial bank. Such is the basis of the State Aid to Industries Act also by which the Government hopes to advance loans to industries.

Q.—May I take it that these industries are not able to get their capital in this country?

A.—Yes.

(The representatives then withdrew.)

Friday, 11th April 1930.

MADRAS.

PRESENT :

Mr. H. M. HOOD, I.C.S. (*Chairman*).
 Mr. P. J. THOMAS, M.A., B.LITT., PH.D.
 Mr. C. GOPALA MENON, M.L.C.
 Mr. M. A. MUTHIAH CHETTIYAR, B.A.

M.R.Ry. Rao Bahadur T. M. APPU NEDUNGADI Avargal,
 B.A., B.L., Calicut.

Oral evidence.

The Chairman: What is your view on the question of equitable mortgage?

A.—Our short experience of that for the last three years in Madras has been that it often ends in trouble and we have to go to court to recover the money. It is easy to get the title-deeds and transact the business but the difficulty comes when you call back the money. All sorts of false contentions are set up and you have to go to court.

Q.—Do you think it is wise to extend it to the mufassal?

A.—Then the same unsatisfactory situation will continue there also. But it will be beneficial to honest people. Under the present circumstances unless people are very cautious they run some risk. Nevertheless I am for extending it to the mufassal.

Q.—Would it be possible to extend it for mortgage of lands in the villages?

A.—Yes, it can be extended to all parts, smaller towns and even villages. In the villages it will be easier to find out who is the real owner and get other information easily. As it is in Madras it is very difficult and when the money is sought to be taken back all sorts of pleas are brought in. There are also encumbrance certificates which would help the lender.

Mr. Gopala Menon: That applies in the case of registered mortgages. Is it not?

A.—In the case of registered mortgages if you give three months' notice to the party then you can sell the property.

Mr. Muthiah Chettiyar: Is that common?

A.—Yes, that provision must be made.

Q.—Do the borrowers agree to such conditions?

A.—We have got a number of mortgages like that.

The Chairman: What is your view on the question of the Reserve Bank?

A.—There should be one Reserve Bank for the whole of India, and if there is no objection the Imperial Bank can be made the Reserve Bank. But in that case the Imperial Bank should not compete with the other joint stock banks, as it does at present.

Q.—At present the smaller joint stock banks are helped to some extent by the Imperial Bank?

A.—They do not do so unless Government paper is deposited with them.

Q.—Do they not rediscount bills?

A.—They do not rediscount our bills, although we are one of the good banks in the Presidency.

Mr. Gopala Menon: Is it because you are competing with the Imperial Bank?

A.:—I do not know that. Formerly they were accommodating us to the extent of Rs. 15 lakhs on the strength of the stock of gold we had in the West Coast branches but they have stopped it without sufficient notice. If they had stopped it gradually we would not have been much affected. They have now left us in the lurch.

The Chairman: Do you do very much business in lending on produce?

A.:—On the West Coast particularly we do business in pepper, copra and other Malabar produce. We are also here financing the groundnut trade.

Q.:—On what exactly do you lend?

A.:—On groundnuts brought actually into our godowns.

Q.:—And not on documents covering them?

A.:—No. They come with the documents from the mufassal and take delivery of the goods and keep in our godowns and we advance money to them.

Q.:—Does the goods pass out of your hands before you receive money?

A.:—We do not lend unless the customer shows an irrecoverable letter of credit from some buyer in London, Marseilles or Hamburg.

Q.:—How much percentage do you lend?

A.:—We lend to the extent of 90 per cent of the value.

Q.:—That financing is a very short-term loan?

A.:—Yes, especially in Madras. We get back our money within 10 days. Directly the goods are shipped and we get the shipping documents we can raise money on that.

Q.:—Do you finance on your own capital or do you go to other banks also for accommodation?

A.:—We generally finance on our own capital. Sometimes we go to other banks especially when there are no steamers coming for some time. They lend us to the extent of 50 per cent.

Q.:—You have much current account business?

A.:—Yes.

Q.:—What do you think is the result of the abolition of the stamp duty?

A.:—There is a slight improvement in the number of accounts.

Q.:—There is no large difference?

A.:—Not much.

Q.:—I suppose your deposits are short-term?

A.:—Ordinarily for one year and two years. We take in for shorter periods also, say for three months and six months.

Q.:—On the strength of that you would not be prepared to lend to industrial concerns for say five years, etc.?

A.:—We never give long-term loans.

Q.:—What is your view on the question of the Industrial Bank? Do you think it is possible?

A.:—I have long been of opinion that it is only the Government that can finance industries at low rates of interest for long terms. The joint-stock banks cannot do it because their deposits are for short periods, and giving long-term loans on this basis will spell disaster.

Mr. Thomas: Do you think it practicable to start industrial banks?

A.:—If all the shareholders wish it, it can be done. It depends on the shareholders. If they subscribed the capital the bank can be started.

Q.:—What is its prospect of making profit?

A.:—There is a good prospect.

The Chairman: What about this groundnut business? Do you think that you are apt to be let down?

A.:—No. It is a safe business for during nine months in the year there is demand for groundnuts.

Mr. Gopala Menon: Do you not find a slump this year?

A.:—Not serious. The price is fairly good.

The Chairman: A pretty big firm failed recently?

A.:—That was due to fraud. If there is no fraud then the business is a safe one.

Q.—Is it possible to eliminate fraud?

A.—Whoever is interested in the goods and the shipment should be very careful. Then there will not be much scope for fraud.

Q.—That is bound up with another question, the possibility of financing on railway receipts?

A.—Yes, people rail goods and bring the railway receipts and we lend money on those receipts.

Q.—But the consignee can take delivery on an indemnity bond?

A.—But you may know the party well and from his previous dealings you can judge as regards the man and advance the money.

Mr. Gopala Menon: What is your view on the subject of the railway receipts being made negotiable?

A.—It is difficult to say that off-hand. There will be more risk in that case, because you may really not know whether the stuff that is said to be in the railway is the same stuff.

Q.—Do you want a banker's lien to be created on rail receipts?

A.—We are doing it now. As soon as we finance on a rail receipt we write to the stationmaster saying that we have the receipt with us and have advanced money on it and he acknowledges receipt of this letter, and says our lien has been registered.

The Chairman: Are you a member of the clearing house?

A.—No. We send our cheques to the P. & O. Bank who clear it for us.

Q.—Is that satisfactory?

A.—Yes.

Q.—Have you applied for admission?

A.—No.

Mr. Muthiah Chettiyar: You said that if the Imperial Bank is made the reserve bank it should not do commercial business?

A.—Yes.

Q.—Now the Imperial Bank has got nearly 200 branches throughout India, and they are helping the movement of the crops and so on. If the Imperial Bank is made the Reserve Bank is there any other agency to take up that business?

A.—In the course of a few years some of the big joint-stock banks will be able to take its place.

Q.—That will take time?

A.—The Imperial Bank should take into its confidence some of the big joint-stock banks and they should be helped to fill its place.

The Chairman: By rediscounting bills?

A.—Yes, by rediscounting bills and by giving credit facilities.

Mr. Muthiah Chettiyar: You want them to rediscount hundis and also pro-notes?

A.—Yes.

Q.—Have you got a fairly good supply of hundis?

A.—I think so.

Q.—You want them to discount pro-notes also?

A.—Yes.

The Chairman: Can you distinguish which is a genuine hundi and which is an accommodation hundi?

A.—By looking to the party who brings the hundi you can more or less judge. But ordinarily we cannot distinguish them.

Mr. Muthiah Chettiyar: The bills obtained from the Multanis are mostly accommodation hundis?

A.—Yes.

Mr. Thomas: Your clients are mostly the Indian business community?

A.—Yes.

Mr. Muthiah Chettiyar: What is your interest on loans?

A.—Our rate of interest is ordinarily 9 per cent. We go up to 12 per cent on clean loans.

Q.—On produce?

A.—That also is 9 per cent, in any case not more than 10½ per cent.

Q.—On mortgages?

A.—Now we do not lend on mortgages. In old days when we were lending it was 10 per cent.

Q.—On jewels?

A.—On jewels the rate is from 9 to 12 per cent.

The Chairman: You have any experience of the timber trade in Calicut?

A.—Yes.

Q.—Is that in a bad way now?

A.—It is fairly good now.

Q.—The reason for that is that the trade is financed by the Multanis and that they take such a high rate of interest that they practically have killed it?

A.—Yes, that is also one of the reasons. But nowadays timber comes from Australia also and the demand has diminished.

Mr. Thomas: How could you increase the number of these genuine trade bills?

A.—The business must increase.

Q.—But unfortunately this kind of bills is not increasing with the increase in business?

A.—In Cochin we had heaps of these genuine trade bills. But what is now done is that those who get things wholesale stock them in their own places and sell them and take bills in exchange and they also get the interest. They do not want the bankers.

Mr. Muthiah Chettiyar: Are the small joint-stock banks in the West Coast lending at higher rates than you mentioned? Are they lending at 12 to 15 per cent?

A.—Yes. I think there are many who lend like that.

Q.—Are the rates even higher?

A.—They lend at even 18 per cent.

Q.—They are joint-stock banks?

A.—Yes.

Q.—I suppose that these rates compare very favourably with indigenous bankers' rates?

A.—Whom do you mean by the indigenous bankers?

Q.—The Multanis and the Marwaris?

A.—They are very nearly equal to the rates of the Multanis.

Mr. Thomas: In regard to the difficulty of getting trade bills how is it that they do not want to translate it into liquid cash the bills which must have been for usance? How is it that these merchants do not want to discount these bills? Did you say that they were simply keeping them till the date of maturity?

A.—No, they are discounting the bills with the bankers.

Q.—If trade increases, there will be more?

A.—Yes.

Q.—As a matter of fact if you can even discount banking notes, you can thereby increase the amount of discounting and making such paper negotiable? In the United States for example the federal bank discounts promotes and bills of exchange.

A.—That depends on the soundness of the parties.

Q.—How is it that we in this country find it difficult to rediscount because our money is locked up otherwise?

A.—That is the position now.

Q.—How could you get out of that?

A.—The Imperial Bank should rediscount a bill when we guarantee it.

Q.—In your opinion what are the handicaps to the development of joint-stock banking in Southern India?

A.—The competition of the Imperial Bank is the first. If they can give capital from a reserve bank on credit certainly the business is bound to increase.

Q.—What about the fact that the Government is borrowing at high rates of interest? Have you found it rather inconvenient?

A.—We have not attained that degree of excellence as bankers that we would feel it. Our joint-stock banks would not feel it.

Q.—How do you remit money in places where you have no branches?

A.—Through the Imperial Bank.

Q.—What is the rate they charge? Is it 2 annas or 4 annas per cent?

A.—I do not know.

Q.—Have you ever felt that the rates are larger? Is it true that when the treasury was managing it the rates were lower?

A.—I do not know what the treasury was charging.

Q.—Do you think that the Indian Joint Stock Banks in South India are now developing on sound lines?

A.—Where is the scope for them to develop? They are not developing, I would say.

Q.—What about the position of the joint-stock banks? Have you examined as to whether they have got adequate reserves to cover deposits?

A.—No, nothing like the English banks.

Q.—In England there is no law?

A.—No. But in big banks the reserve is ordinarily equal to half the paid-up capital.

Q.—Do you think that is a line of development which we must watch with great care?

A.—Yes. With the banks' development they will set up a larger percentage towards the reserve.

Q.—Do you know whether all the banks of Southern India reserve a portion of their annual profits?

A.—Ordinarily they do.

Q.—Are there banks which do not?

A.—There will be very few. Even small banks allot something towards the reserve every year.

Q.—How do they keep these reserves?

A.—They employ them in their own business.

Q.—In your own experience can you say what is the cash that you should keep in your own bank to meet all the demands of a banker?

A.—We have not fixed it at any percentage, but experience has told us what will be the safe limit.

Q.—What is the rule you have arrived at by experience?

A.—We have credit on Government paper with the Imperial Bank and if we want money we wire to the head office and remit money by the Imperial Bank by T.T. Our resources are in the Imperial Bank on Government paper.

Q.—Part of it is cash?

A.—Our credit with the Imperial Bank to-day is Rs. 10 lakhs odd. If we require Rs. 1 lakh we have to wire to the Calicut branch and we will get the money by T.T.

Q.—You have not had any difficulty till now?

A.—No.

Q.—Do you think that the Indian Companies Act, as it is at present, sufficiently sees to the needs of the country in respect of banking development? Does it safeguard the bank and the investing public?

A.—The Indian Companies Act prescribes rules in respect of joint-stock companies and their conduct.

Q.—Do you think that is adequate for the banks as well?

A.—I cannot say I have seen any defect. But if you examine it carefully you may find places where the Act may be amplified.

Q.—Does it provide for any reservation of funds?

A.—Without looking into it I cannot say.

Q.—Supposing further legislation is made, on what lines should it be? Supposing we make a special Act for regulating banks, what are the special points you would like to be brought into that?

A.—I cannot suggest anything.

Q.—May I suggest one or two possibilities? Suppose we prescribe a certain minimum of capital to be paid up before the bank begins work and suppose that minimum is based on the field of operation of the bank, would you think it is a good thing?

A.—That will be anticipating many things which it is not possible for many people to do.

Q.—From the beginning we will say our field of operation is so much and then the authorities can tell us what should be the minimum paid-up capital. Would you encourage small mushroom banks or is it necessary to have a certain minimum size and strength?

A.—There must be a minimum paid-up capital for a bank to call itself a bank.

Q.—What should it be?

A.—Nothing less than Rs. 5 lakhs.

Q.—Is it not too high?

A.—A decent bank should have that.

Q.—What do you think should be the qualification of the bankers?

A.—It is better to leave it to the directors.

Q.—Would you allow the director of a bank to be the director of many other banks?

A.—It does not matter if he can find time. Recently there was a case in which mention was made of a person who was the director of as many as 27 banks. This was published in the *Daily Mail*.

Q.—Was it a case where he got into trouble?

A.—No.

Q.—Is it not necessary to fix up a certain minimum reserve to be kept by the banks partly in cash and partly in assets?

A.—The ratio between the paid-up capital and the reserve may be fixed by legislation, say nothing less than half or one-third or something like that.

Q.—As in the United States for instance?

A.—Yes.

Q.—What is your view about audit? Now the audit is done by an auditor appointed by the bank.

A.—Now a public accountant is appointed by the bank.

Q.—Is it necessary to have an independent audit either appointed by the Government or by the shareholders?

A.—Our auditors now are public accountants appointed by the shareholders at the general meeting.

Q.—Do you think such audit is sufficient for safeguarding the interests of the public?

A.—It is difficult to say. There may be exceptions where the audit is slack and frauds are committed.

Q.—Are there any cases of audits failing in India?

A.—I cannot say. Audit is generally reputed to be good.

Q.—But in the case of certain mufassal banks it is said that soon after the audit was over certain frauds were found?

A.—You had it in the case of the Arbuthnot Bank.

The Chairman: Do you publish your accounts?

A.—Yes.

Mr. Gopala Menon: What is your experience with regard to the collection of share money? Do the shareholders of joint-stock banks pay promptly when they take up shares?

A.—There are cases of slackness but a notice of forfeiture will at once bring the money.

Q.—We want to see that there is a banking expansion. Some witnesses told us that it is difficult to get share money promptly.

A.—Give notice of forfeiture at once.

Q.—Would that stand in the way of banking development in the country?

A.—No, no. In fact that is what ought to be done.

Q.—You have got a savings bank account, is it not?

A.—Yes.

Q.—Do you think that the joint-stock banks can create the savings habit in the people?

A.—No, except perhaps that the savings bank accounts like the current accounts might be allowed to be operated on by cheques.

Q.—Do you think that then more depositors would keep savings bank accounts in preference to current accounts?

A.—The savings bank account carries always a trifling better rate of interest. But the current accounts have this advantage that the depositors can draw at any moment whereas in the case of the savings bank accounts they can draw only once a week.

Q.—What is your idea with regard to these bearer cheques? Do you want them always to remain bearer cheques?

A.—It will be always better to make it payable to so and so or order. Though it is printed bearer we always alter it to order. I myself do not know why they print bearer.

Q.—You want only order cheques and not bearer cheques?

A.—Yes.

The Chairman: Do the bigger banks use order cheques?

A.—For the bank's safety bearer cheques are better but for the man who issues the cheque I think it is better to have the order cheque. In the case of a bearer cheque, for instance in the case of a cheque wherein is written "pay AB or bearer", without AB knowing, the money can be drawn by anybody. But they can alter it into order if they like.

Mr. Gopala Menon: You do not advance to agriculturists at all?

A.—No.

Q.—What proportion of your capital is utilized for financing trade?

A.—It is difficult to say. We do not finance any industries.

Q.—Do your loans come back promptly on the due date?

A.—The bills are generally met on the due dates.

Q.—Do the parties come and ask for any extension and do you allow them extensions?

A.—Very often we do.

Mr. Thomas: Are you afraid that the bill business is not sound in that way?

A.—If it is for 60 days and if after the expiry of the period the party asks for an extension of time we look to the soundness of the party, whether the party is as good as it was when originally we gave them money.

Q.—There is no harm in such transactions?

A.—No.

Mr. Gopala Menon: Do money-lenders take loans from you and then lend out at higher rates?

A.—Oh, yes. We have heaps of people like that who take large sums at a low rate of interest.

Q.—With regard to the different classes of securities offered as cover for acceptance I wish to know what has been your experience with regard to the realisability?

A.—We lend on what you call direct bills. That is practically demand promissory-notes. Then we have one man making a bill in favour of another and discounting it with us. Then we have bills for collection.

Q.—Do you take stocks and shares and debentures?

A.—Ordinarily we do not take shares.

Q.—Have you at any time advanced money on your shares?

A.—It is not exactly on our shares, but because the man is our shareholder we give him on his own personal security about 50 per cent of the shares he holds.

Q.—With regard to the equitable mortgages: the advantage that the party has is that the security is transferable by delivery. But are there not risks attendant on it because the titles might be proved to be defective afterwards?

A.—That will be the case even when the lawyer who examined the title-deeds is not clever.

Q.—We have been told that the party who lends the money runs a great risk. Is it not so?

A.—Yes. The difficulty is that the party is not able to pay back on the due date and take the deeds. The soundness of the title will be all right and can be examined by a clever lawyer in a short time. But the thing is this. He will not be able to repay the money and will come and tell you if asked "Why, Sir, you hold all the title-deeds."

Q.—Do you generally advance money on life policies?

A.—No.

Q.—Do you advance money on open loans?

A.—No. We do this thing for instance. There are certain big car dealers for whom we open letters of credit. When they get the cars, we give them the money and have our labels on the cars but allow them to keep the cars in their show room.

Q.—You never allow on open loans?

A.—No.

(The witness then withdrew.)