

**Bombay Provincial
Banking Enquiry Committee
1929-30**

Volume III

EVIDENCE



BOMBAY
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BOMBAY PROVINCIAL BANKING ENQUIRY COMMITTEE.

QUESTIONNAIRE.

(The following memorandum is published in order to assist witnesses in the preparation of their evidence. It is not to be regarded as exhaustive, nor is it desired that each witness should necessarily attempt to deal with all the questions raised.)

SECTION I.

Agricultural credit and credit facilities for small industries.

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

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

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

Describe the part played in agricultural finance by Government, the Imperial Bank of India, the joint stock banks, co-operative banks, the indigenous banks and bankers, professional money-lenders, merchants and dealers, and other organisations giving credit (*e.g.*, companies trading in fertilisers, etc.).

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

Is any information available as to the extent of finance provided annually in kind?

State defects, if any, in the present system and the reasons for the existence of such defects. Do you suggest any remedies?

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

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

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

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

In regard to such facilities is there any special difference as between internal trade and foreign trade?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Do you suggest any measures for—

(a) improvement in the record of rights and title of ownership so as to simplify reference, and to avoid possibilities of disputes and counterclaims by parties other than those who are the clients of the bank,

- (b) simplification of the process of foreclosure and sale by the mortgage bank in the event of non-payment,
- (c) reduction of costs of reference to the record of rights and of registration of records and of the process at law so as to reduce the burden on the good constituents of the bank in respect of charges incurred on account of defaulters ?

Should the working capital of the proposed mortgage bank be derived largely from—

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

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

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

On what terms should agricultural mortgage banks raise monies under each of the above-mentioned heads, with or without Government guarantee, and on what terms should they lend out money so as to cover their expenses ?

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

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

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

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

In such an estimate please distinguish between :—

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

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

- (a) the repayment of earlier debts,
- (b) marriage and other social occasions,
- (c) famine and other kinds of distress,
- (d) payment of land revenue,
- (e) growth of the debt by compound interest, interest not having been paid,

- (f) seeds and manure,
- (g) improved agricultural implements,
- (h) sinking of wells and agricultural improvements,
- (i) purchase of land or bringing into cultivation fallow lands,
- (j) construction or acquisition of houses.

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

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

Do you think a large number of people, who are efficient farmers, are being turned into tenants for a period, or tenants-at-will, through the process of the enforcement of the old debts and landed property passing on into the hands of the creditors? Distinguish between the conditions in irrigated tracts, the famine zone and areas not generally liable to famine.

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

6. Give some idea of the number of small subsidiary industries allied or supplemental to agriculture existing in your province, such as rice milling, dairy farming, *gur* making, garden produce, cotton ginneries, sugar refineries, hand spinning, etc.

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

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

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

What financial machinery do you suggest for this purpose?

6A. Are there any small industries not necessarily allied or subsidiary to agriculture, *e.g.*, weaving, existing in your district or province? If so, have you any suggestions to make regarding them, on the lines mentioned in question 6 above?

7. State what you know of the relations that exist between the co-operative banks and the other banks in the country, namely, the Imperial Bank of India, the joint stock banks and the indigenous banks.

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

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

Is there any competition in your district or province between the co-operative banks and joint stock banks?

If so, to what extent and in what direction?

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

To what extent has the Co-operative Movement succeeded in meeting the financial needs of the agriculturist, the small trader and the industrialist in your district or province ? How far, in your opinion, is the Movement capable of meeting the financial needs of these classes ?

8. How far, in your opinion, is the provision of credit facilities affected by existing legislation and legal procedure ? Have you any suggestions to make regarding improvements in this respect ? In particular, what do you think of the effect of the working of the Dekkhan Agriculturists' Relief Act on the facilities for obtaining credit ? Do you think this Act requires modification, and if so, in what directions ?

9. Can you state why the Usurious Loans Act is not being availed of in this province ? What measures would you suggest for greater use being made thereof ?

Would you suggest the enactment of legislation such as the English Money-lenders' Act or the proposed Money-lenders' Bill for the Punjab ?

SECTION II.

Indigenous Banking.

(Note.—By indigenous banking is meant all banks and bankers other than the Imperial Bank of India, the exchange banks, joint stock banks and co-operative banks. It includes any individual or private firm receiving deposits, dealing in *hundis* or lending money.)

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

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

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

(a) the amount of capital invested,

(b) the volume of their business,

(c) their expenses, and

(d) the relations between one indigenous bank and another and between indigenous banks and other banks in the country, viz., the Imperial Bank of India, the joint stock banks and the co-operative banks,

(e) the adequacy of the facilities afforded by the Imperial Bank to indigenous bankers.

4. State what you know of the various forms of *hundis* and other credit instruments used by the indigenous banks and bankers and the

extent of their use. Give sample copies of any of the *hundis*, promissory notes, deposit receipts, etc., used in your locality.

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

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

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

6. Is it the general practice with indigenous bankers to insist on advances being drawn in the shape of commodities purchased through them or repaid in goods sold through their agency ?

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

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

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

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

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

Are these bankers sufficiently protected in law ?

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

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

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

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

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

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

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

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

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

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

Would you suggest the establishment of a branch of a joint stock bank, or a branch of a central reserve bank, or a local bank with local directorate, or an urban co-operative bank, in each district with which the indigenous banking system may be connected ?

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

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

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

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

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

SECTION III.

Investment Habit and Attraction of Capital.

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

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

What are the means or institutions in existence for encouraging savings and investment habit ?

What has been the influence of co-operative societies and banks, insurance companies and provident societies in this respect ?

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

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

Can you suggest ways in which persons unwilling to earn interest on deposits can be induced to render their savings available for the economic development of the country ?

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

2. Are postal cash certificates popular in your district or province and can any steps be taken to increase their popularity ?

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

Do savings banks afford all possible facilities to the public ?

What classes of population resort to such forms of investment ?

Can anything be done to attract other classes ?

Have you anything to say regarding the alleged competition of Government with banking institutions and bankers in regard to

deposits by their attractive rates on postal cash certificates and treasury bills ?

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

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

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

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

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

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

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

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

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

If so, to what causes do you attribute it ?

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

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

Have you any knowledge of investment trusts ? Do you advise the formation of such bodies in this province or your district ?

SUPPLEMENTARY QUESTIONNAIRE.

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

(a) Export Trade :—

(i) From the village to the *mandi*.

(ii) From the *mandi* to the exporting ports.

(b) Import Trade :—

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

(ii) From the distributing centres to the consumer.

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

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

MINUTES OF EVIDENCE
TAKEN BEFORE THE
BOMBAY PROVINCIAL BANKING
ENQUIRY COMMITTEE.

Monday, November 18th, 1929.
SURAT.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.

Mr. B. S. KAMAT.

Mr. H. V. DESAI.

Mr. V. L. MEHTA.

Professor V. G. KALE.

Mr. R. P. MASANI (*Secretary*).

Mr. H. V. BRAHAM, I.C.S., Collector of Surat.

Replies to the Questionnaire.

QUESTION 1.—Provision is made by Government for financing the agriculturists as under :—

- (a) Under the Agriculturists' Loans Act (Act XII of 1884).
- (b) Under the Land Improvement Loans Act (Act XIX of 1883).
- (c) Under the suspension and remission rules.

(a) Loans are advanced under this Act for the purchase of seed, plough, cattle, fodder, agricultural implements and manure, and the cost of labour required for weeding, etc, and for rebuilding houses destroyed by fire or flood.

In this district loans under this Act are to be given only in times of scarcity or in exceptional circumstances such as fire or flood.

(b) The purposes for which loans can be advanced under this Act are :—

- (1) The construction of wells, tanks and other works for the storage, supply, or distribution of water for the purposes of agriculture.
- (2) The preparation of land for irrigation.
- (3) The reclamation, clearance, enclosure, or permanent improvement of land for agriculture. Ordinarily there is very little demand for loans under this Act in this district.

(c) Loans are not advanced for the payment of land revenue. But in bad years when the crops fail land revenue is remitted or suspended in accordance with rules framed for this purpose.

The present rate of interest for loans under (a) and (b) is 6.75 per cent. This interest is simple. Loans are repayable by annual instalments. The number of such instalments varies with the amount of the loan and the capacity of the borrower. The maximum period over which repayment of loans under (a) may extend is as under :—

Seed, manure and hire of cattle	..	..	..	2 years.
Weeding and fodder, etc.	..	..	..	4 „
Purchase of cattle, rebuilding of houses and purchase of implements	..	..	..	8 „

The usual form of security is land. If this is not available or is insufficient, personal security is taken. Under (a) personal security on the joint bond system is sometimes taken when there are a number of borrowers in one village. Moveable property or standing crops are not accepted as security.

In villages where co-operative societies exist, loans are not ordinarily granted under (a) and (b) by Government, but this work is entrusted to the societies concerned.

When land revenue is suspended, the repayment of *taccavi* loans is similarly suspended.

I am not in a position to describe the part played by other agencies in agricultural finance. For this reference may be made to the Assistant Registrar of Co-operative Societies and those who are responsible for the banks concerned and to local money-lenders. Nor have I any idea of the total amount of capital required for this purpose in this district. I have already supplied the Committee separately with figures of *taccavi* loans advanced during the last ten years. These, of course, vary with the season. When the season is favourable and the agriculturists' credit is good, he gets what assistance he requires from his own *sowcar* without recourse to Government.

As mentioned above, co-ordination exists between Government and the co-operative societies in the sense that Government leave the societies to finance their own members. I am not aware of any co-ordination between the other agencies.

3. There are three classes of agricultural land in this district, *i.e.*—

Jirayat or dry crop.

Kyari or rice land.

Bagayat or garden land.

I assume that by value is meant market value. It is not possible, with any approximation to accuracy, to assign one value per acre to each of these classes for the whole district. Very roughly it is estimated that these values vary as under in the several *talukas* in the district:—

<i>Taluka</i>	<i>Jirayat</i>	<i>Kyari</i>	<i>Bagayat</i>
	Rs.	Rs.	Rs.
Bulsar	200—500	200—600	300—800
Chikhli	20—200	50—300	100—250
Jalalpur	200—400	500—800	....
Pardi	50—150	150—300	300—400
Valod	125—225	225—325	....
Mandvi	20—100	25—200	....
Chorasi	400—800	300—900	800—1,200
Bardoli	100—300	150—400	....
Olpad	100—250	125—200	....

The factors affecting the market value of land are many and various. Some of these are—

(1) The tenure on which the land is held, *e.g.*, alienated or unalienated, restricted or unrestricted.

(2) The caste and circumstances of the purchaser.

(3) The relations between the contracting parties.

(4) The situation and prosperity or otherwise of the village in which the land is.

(5) The situation of the land itself, *e.g.*, its proximity to the village site or to other land belonging to the purchaser, etc.

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- (6) The quality of the land and its productive capacity.
- (7) The existence or otherwise of irrigation facilities.
- (8) Supply and demand.
- (9) State of trade and money market.

Prices realised in (a) and (b) are as a rule lower than those in (c). Cases under (a) are rare. In cases under (b) the villagers frequently combine not to bid, with the result that the decree holder has to purchase the land himself at or near the upset price which is fixed by the Collector on the basis of the *punch* valuation of the land verified by the *taluka* officer in the light of previous sales in the vicinity.

4. The only legal impediment to mortgage of land is in the case of land which is held on the restricted tenure which cannot be sold, mortgaged, leased, or otherwise alienated without the previous permission of the Collector. Land on this tenure is ordinarily granted only to the more backward classes whose lands would otherwise sooner or later pass into the hands of the money-lender.

Under recent orders waste land is in future to be given out on the impartible tenure. Land held on this tenure cannot be mortgaged except as a whole. Out of the total area of occupied *khalsa* land in this district in 1928-29, 6,31,483 acres were held on the unrestricted tenure and 37,230 on restricted tenure.

There are no land mortgage banks in this district.

5. I know of no such estimate, apart from the statements which the villagers themselves sometimes make on such occasions as that of a revision settlement. The only way I can imagine in which an estimate of any value could be obtained would be by a detailed examination of the account books of all the persons to whom each inhabitant of a village is indebted. This would be a very lengthy and laborious business, and even then would not disclose the purposes for which money on each occasion was borrowed. In this connection I might refer to the remarks in paragraphs 118 and 119 of the Broomfield-Maxwell Report on the revision settlement of the Bardoli and Chorasi *talukas*.

It is a fact that a large number of agriculturists, more or less efficient, do become tenants of their own land which they mortgage to their *sowcars* for the repayment of debt. In such cases the *sowcar* usually gets a sale deed executed, with an oral agreement to return the lands to the debtor when the debt is repaid with interest. I am not sure that this process is necessarily deterrent to efficient cultivation. Presumably it is to the interest of the tenant to produce as much as he can in excess of what will be required to enable him to pay his rent (interest) to the money-lender.

6. I attach a statement containing such figures as I have been able to obtain. In addition to these subsidiary industries mention should be made of the considerable trade in grass, particularly in the Bulsar and Pardi *talukas*. The exports reported from these two *talukas* last year were—

Bulsar	..	8,40,400	Surti maunds.
Pardi	..	3,33,108	„

A very considerable proportion of the occupied land in this district is kept for grass and grazing. In 1928-29 the area under grass was 3,10,047 acres. Though there is no regular dairy farming, apart from the Government farm at Surat, the people keep a large number of milch cattle, the surplus produce from which, after supplying their own needs, they sell, mainly in the form of *ghee*. To what extent the agricultural income of the district is supplemented from this source is a matter which, so far as I know, still remains to be investigated. According to the last cattle census taken in 1924-25 out of a total number of cattle 3,77,103 there were 1,21,612 milch cattle comprising 67,495 cows and 54,117 she-buffaloes.

The only way which I can suggest for enabling the producer to get a better return for his produce is the formation of co-operative sale societies.

QUESTION 6.

Statement of small subsidiary industries.

	Cotton gins	Cotton presses	Rice and flour mills	Sugar cane presses	Grass presses
Surat City	3	3	2	Nil	Nil
Chorasi	4	3	2	Nil	Nil
Olpad	9	3	10	Nil	Nil
Mandvi	Nil	Nil	4	Nil	Nil
Bardoli	6	4	10	8	1
Valod	3	Nil	5	Nil	Nil
Jalalpur	5	2	19	94	1
Chikhli	1	Nil	4	93	8
Bulsar	Nil	Nil	16	235	36
Pardi	Nil	Nil	14	40	65

The following figures are available :—

	Handlooms	Spinning wheels
Surat City	10,000	....
Chorasi	20	65
Mandvi	134	60
Bardoli	140	421
Valod	24	324
Jalalpur	201	....
Chikhli	218	162
Bulsar	40	....
Pardi	9	....

Oral Evidence.

5810. *The Chairman* : Mr. Braham, you are the Collector of Surat ?—Yes.

5811. Since how long have you been here ?—One year.

5812. Can you tell us from your experience whether there is sufficient capital from various sources to meet the needs of agriculturists in this *taluka*, or does agriculture suffer for want of capital ?—As far as Government *taccavi* is concerned, I can say that there is very little demand for *taccavi* for land improvement under the Land Improvement Loans Act.

5813. Have you found in this district agriculturists suffering for want of capital ?—No, apart from the fact that they are in debt.

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5814. Have you been in touch with the Co-operative Movement in this district?—Not intimately.

5815. Can you say how far it is satisfying the needs of agriculturists from the point of view of finance?—I should say that there should be an extension of the Movement, especially sale societies.

5816. Have you seen the working of sale societies?—I think what the small agriculturist needs is some sort of combination or co-operation to get the best value for his produce.

5817. In reply to question 1, referring to *taccavi*, you say: "In this district loans under this Act are to be given only in times of scarcity or in exceptional circumstances such as fire or flood. There are two kinds of tracts; one is called the special tract and the other is called the approved tract. In case of special tract loans under the Agriculturists' Loans Act could be given in normal times as well as in famine times. Approved tracts are tracts in which loans under the Land Improvement Loans Act are to be given through co-operative societies.

5818. Is *taccavi* given through co-operative societies?—Yes; last year we did that.

5819. Is there no demand for *taccavi* for land improvement?—From the applications I have received, I say that there is little demand. In Panch Mahals we used to get more demand.

5820. Does it mean that there is no room for land improvement?—I never say that.

5821. If there were propaganda, would not demand for land improvement be created?—Some propaganda for improved implements and better kind of seed is carried out by the Agricultural Department.

5822. I refer to land improvements, such as bunding and wells. Do you not think there is room for such propaganda work?—I think agriculturists do much themselves without any help from Government. It is rather dangerous to suggest to them to incur debts.

5823. But they would be incurring debts for productive purposes?—Yes.

5824. I find from your Settlement Report for Jhalod that during the previous settlement period a good deal of capital was given for embankments and *jirayat* land was converted into rice land. Do you not think, if more financial facilities are given, more of such land improvement could be carried out; in other words, whether the want of such facilities prevents people from carrying out land improvement?—Roughly I think that there is room for improvement. The facilities are there; if they want loans, they can get them.

5825. So far as the question of financial facilities is concerned, I expect in a district like this one has to distinguish between the *kaliwaraj* and the more advanced classes. In case of the *kaliparaj*, is not *taccavi* given for current agricultural needs under the Agriculturists' Loans Act?—Only in times of scarcity it is given. The restriction applies to both classes, and there is no distinction between the two classes.

5826. So far as the *kaliparaj* are concerned, are there many Pathans advancing money to them and recovering by force? Have you heard of any complaints about them?—I have not personally had the complaint. I think there was a reference about it.

5827. Some of the witnesses and others also who have submitted written statements to us say that in some cases *khatodars* have to borrow money in order to pay land

revenue, that is to say, the crop is not sold at the time the land revenue is collected. Have you heard any complaints about it?—They get advances.

5828. Sometimes they get advances and sometimes they have to borrow?—I know that they do get advances.

5829. Getting advances means they have to pay a high rate of interest on the loans?—Yes.

5830. If people have to borrow or get advances for paying the land revenue, would there be any danger in postponing the assessment?—That can be done under the rules. In villages where there is a large area under cotton or *rabi* crops the people sometimes ask for later instalment dates. I was looking into one such case last year.

5831. Is it usually out of the money crop that they pay land revenue?—Yes, out of the cotton crop.

5832. So, even in *talukas* where there is *bajri* or *juar*, and also some cotton, the agriculturists would rather prefer to pay after the sale of the cotton?—Because they want to keep the other crop as much as possible for their own consumption.

5833. You say in reply to question 3 in the last paragraph: "In cases under (b) the villagers frequently combine not to bid." Does that happen very often?—I can remember fairly frequent cases in which there was no bidding.

5834. It has been suggested to us that a land mortgage bank should be started which can advance long-term loans on the security of land, and when the borrower defaults, the land can be sold. Is there any danger of people not bidding for the land?—There is some danger.

5835. Does this combination happen often?—I think, it does happen.

5836. Does the *sowcar* himself buy the land?—The decree holder has to purchase the land himself at or near the upset price.

5837. In case of land on the restricted tenure, is the credit of the *khatedar* restricted; for instance, for *taccavi* do you consider the land on the restricted tenure of less value than land under ordinary tenure?—It may not be so in the case of *taccavi* because in case of default the land is forfeited to Government; but in the open market from the point of view of his credit, it does affect him.

5838. Are there any *talukdari* villages in this district?—No. In *talukdari* villages in the Panch Mahals and Ahmedabad districts there are tenants-at-will.

5839. Can lands in *talukdari* villages not be taken as security for loans?—Not without the consent of the *talukdar* himself.

5840. Would the *talukdar* agree to it if a tenant wants to borrow?—A great deal would depend on the individual *talukdar* concerned.

5841. Are there any figures in your office to show whether land has been passing from agriculturists to non-agriculturists in this district during the last five or ten years?—I have tried to find out. The quinquennial report of 1928 shows that 71 per cent. of the land is in the hands of agriculturists and 29 per cent. is in the possession of non-agriculturists.

5842. From your reply to question 6, I find that there is a large part of land under grass, particularly in Bulsar and Pardi *talukas*. Is that because grass is more paying

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than ordinary crop, or is it because of want of labour or want of capital?—I think there are various factors. There is an excessive number of cattle in most parts of Gujerat. In Chihli *taluka* about 55 per cent. of the occupied land is under grass, there are about 50 thousand cattle, and only about 1,400 acres assigned by Government for grazing.

5843. *Mr. Kamat* : You have given a statement of small subsidiary industries. Can you also give us some figures of the approximate capital that might be invested in your district in these industries. For instance, you say there are about 31 cotton ginneries in the district. Can you give us a rough idea of how much capital may be invested in these, and whether this capital is local capital, also whether there is sufficient capital in the district for industrial expansion?—One may be able to find out whether they are financed from inside or outside, but it would be difficult to find out how much capital is required. It means going to the owners of these cotton gins and presses and asking them about the total amount of their capital, and I do not know whether they would give these figures.

5844. Would it be convenient to find out approximately the number of workers engaged in cotton gins and presses and other concerns during the last, say, ten years in order to see whether agricultural labour has been going into industries pretty largely during the last ten years?—I shall obtain information about the number of employees in cotton gins and presses during the last ten years.

5845. Coming back to the question of *taccavi*, it seems that at the present moment the policy of Government is more or less what I may call a passive policy rather than an active policy of helping the agriculturists to improve the land, that is to say, you wait and see whether the agriculturists ask for *taccavi* loans?—Yes.

5846. Speaking from the point of view of a revenue officer, would you say that an active policy of helping the agriculturist to improve his land and thus get more income from agriculture either by propaganda or by judicious offer of loans would be a sound and practicable policy?—It would be a sound policy, and as regards propaganda work it would be practicable, but so far as finances are concerned, I think, it would be very difficult.

5847. I wonder whether your Department has found out approximately the total land in the district, which would be classed as uneconomic holdings, that is to say, holdings between five or ten acres which would not pay an agriculturist if he lives on agriculture alone?—We have some figures collected, from which it seems that 40 per cent. of the occupied land in this district consists of holdings up to fifteen acres in extent.

5848. Would it not be better if Government were to take up an active policy of providing minor irrigation works so that small holdings may be made economic? Would that policy not be in the long run in the interest of both the agriculturists and revenue assessment?—Yes.

5849. Have you any special officer appointed in this division to go into possible land improvements and to suggest from the engineering point of view any possible improvements which could be undertaken?—There is no special officer here. I think Mr. Lowsley has been doing some work in this connection.

5850. *The Chairman* : Is he here?—I saw him in Panch Mahals. I do not know whether he came here previously.

5851. *Mr. Kamat* : About touch between your Department and the Co-operative Department, would it be better to have a greater and closer association between the officers of your Department and those of the Co-operative Department? Do the men

in your Department know what is being done by the Co-operative Department, as regards facilities given in the matter of finance?—They know the societies where they are.

5852. Do you think that the contact is quite enough?—They do know, but I do not know how much further they ought to know.

5853. Do they know the details, what help the Co-operative Department gives and what help could possibly be given?—I cannot really say that.

5854. Any way there is a feeling that it would be better for the agriculturists if men in the Revenue Department come in closer contact with the men in the Co-operative Department, and know the workings of the Department?—Yes.

5855. It has been suggested that the *sowcars* and money-lenders and their methods of business should be regulated by a Money-lenders' Act. Can you tell us whether it would be desirable to have, for instance, a list of recognised money-lenders so as to bring *sowcars* and banks into touch?—What would you do with the list, is it in connection with the proposed Act?

5856. It might be useful in connection with the proposed Act, or this might be useful from the point of view of banking?—From the Revenue Department point of view there would be no advantage. I think from the banking point of view it might be useful.

5857. Has your Department any idea whether there are too many *sowcars* or too few *sowcars* for the needs of the agriculturists or of the trade in this district?—I personally have no idea.

5858. *Mr. Desai*: In your statement, you say: "As mentioned above, co-ordination exists between Government and the co-operative societies in the sense that Government leave the societies to finance their own members. I am not aware of any co-ordination between the other agencies." Will you give your ideas as to how to link these other agencies?—I do not know. I have not thought about the activities of the indigenous bankers and the Imperial Bank.

5859. Agriculturists are paying heavy rates during the monsoon, when money is available in Bombay to banks amongst themselves at very cheap rates. Agriculturists pay here from 10 to 24 per cent., but if there is co-ordination, would not the money available in Bombay be utilised in the district at cheap rates?—They pay to their local *banias* 24 per cent. and not to the bank. I think branches of banks should be opened in the district.

5860. *Professor Kale*: It has been stated to us that when the land of a cultivator passes from his hands into the hands of the *sowcar*, the cultivator generally loses heart and does not carry out land improvements with the result that the efficiency of the industry suffers. You seem to hold a rather contrary view, because you say: "I am not sure that this process is necessarily deterrent to efficient cultivation." What leads you to think that the cultivator will continue to take the same interest in agricultural operations when the land passes to the *sowcar*?—When the land is moving temporarily into the hands of the *sowcar*, the cultivator knows that he can get it back after paying back the debt to the *sowcar*; he probably would not put in much capital for large improvements, but he would try to produce as much as possible from the land over and above what he has to pay to the *sowcar* as rent or interest.

5861. Does that apply to tenants-at-will also?—No, there is no land improvement.

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5862. *Mr. V. L. Mehta* : You refer to some figures of loans advanced under the *Taccavi* Act. I have seen the figures of loans advanced, and I should like to know whether these figures refer to loans advanced under both Acts, *viz.*, the Agriculturists' Loans Act and the Land Improvement Loans Act ?—Yes, they include both Acts.

5863. Is the rate of interest the same in both cases ?—Yes, at present the rate of interest is $6\frac{1}{4}$ per cent.

5864. In reply to the Chairman you said that one of the effects of the restricted rights tenure is to restrict the credit of the holder, how is that so ?—I think it must be, because the land cannot be transferred in any way without the Collector's permission.

5865. Are not the terms of finance for him bound to be onerous in that case ?—Yes, so far as the security is restricted to land.

5866. Having restricted the credit of the man, do you not think it would be the duty of Government to do something to see that better facilities are afforded to him ?—I do not know on what lines it could be done. No one, either Government or any one else, can advance loans without security of land. The tenure is for his benefit.

5867. *The Chairman* : Do you think that it is necessary to take special measures in the case of these backward people, who have no credit, to give them financial help, or do you think the existing facilities are enough ?—I can only judge from the demand for *taccavi*. From my experience I can say that there is very little demand. If there is a demand for *taccavi* in an ordinary year, I would say that there is an indication that they do not get what they want. In the absence of such demand, I think, it is rather difficult to say anything definite on the subject.

(The witness withdrew.)

**Mr. C. M. GANDHI, B.A., LL.B., Advocate, Chairman, Surat
District Co-operative Bank, Ltd.**

Replies to the Questionnaire.

I am connected with the Surat District Co-operative Bank, Ltd., from its very start as Surat District Co-operative Union, Ltd., in the year 1909. Ever since that time I have been a member of its Board of Directors and have been its Chairman from the year 1917 onwards. My answers are the result of my experience derived in both these capacities and as a lawyer of 33 years' standing in the district having a considerable practice amongst all the agricultural classes of the people in the whole of the Surat District. My answers are more or less confined to the Surat District.

SECTION I.

AGRICULTURAL CREDIT AND CREDIT FACILITIES FOR SMALL INDUSTRIES.—I deal with questions 1 and 7 together. Before the incorporation and formation of the Surat District Co-operative Union, Ltd., in the year 1909, the agriculturist in the Surat District was mainly financed in the following ways :—

(a) The village money-lender was his principal source of finance. He was both his money-lender and purchaser of his goods. He advanced monies for expenses of cultivation and if he was the village trader also, as a village money-lender usually he supplied seeds as well his other small necessaries of life, attended to his needs social as well as agricultural advancing money from time to time, and maintained as it were a current

account with him year in and year out and was paid off either wholly or partially by the agriculturist according as the result of the agricultural operations in the year were good or fair. If the agriculturist was not able to pay off the entire debt incurred during the year he would gladly have the accounts adjusted and balance drawn for the next year. In that way the village money-lender went on acting as his bank all his life.

(b and c) When more money was wanted either for improvements or for expenses for good or bad occasions in the family, such as marriages or obsequial ceremonies on the deaths of members of the family, the agriculturist had to go outside his village to the money-lender or *shroff* in the *taluka* town who advanced money primarily on the security of his lands or ornaments. For other special needs such as payment of land revenue or purchase of necessaries of life after the failure of a harvest, he borrowed either from the village money-lender or from the money-lender or banker in the town according as he wanted small or large sums of money. So far as the Imperial Bank of India or the joint stock banks are concerned they never directly touch agricultural finance at all.

Ever since the co-operative credit societies and the co-operative central banks came into existence they have, in all villages where they have been formed, supplanted the village money-lender to a great extent, but they have not been able to oust him altogether as they have not been able to finance all his needs as and when they arise.

Professional money-lenders like the Pathans do very little of agricultural finance in the Surat district though no doubt they do some money-lending in villages on a small scale at usurious rates of interest. But so far as the Surat district is concerned that class can be considered almost negligible. Big cultivators also help small farmers with money on occasions. In fact we find in some cases good farmers combining in themselves both the occupations of a cultivator and a money-lender.

Government also render some help to agriculturists by way of *taccavi* advances for land improvement and for special needs of agriculturists when harvests wholly or partially fail.

Merchants dealing in cotton, certain kinds of fruit and vegetables, and even in cases of other crops, advance monies against crops, thus managing to make profitable bargains against needy and ignorant agriculturists.

The co-operative societies have not been able, as said above, to oust the village money-lender completely and the reasons why they have not been able to do so are obvious. They can succeed in ousting him completely only if they can take his place fully in financing the agriculturist as and when he requires to be financed as the village money-lender does. The illiteracy amongst the agriculturists is a great stumbling block in the way of making the Indian agriculturist realise what is really for his benefit. He is a fatalist by tradition. His outlook on life is hopelessly narrow and gloomy and having been accustomed to vagaries of rainfall and uncertainties of crops good harvest years being so few and far between, and the money-lender taking away everything from him in those good years, the agriculturist has come to believe that there is no hope for him in this world, though he may continue to drudge all his life through. Therefore, he has no incentive to work. He has been accustomed to look upon the village money-lender as his patron and benefactor. His innocence of arithmetic comes in the way of his realising how much he is cheated by the money-lender both at the time of lending and at the time of settling the accounts. He considers him to be more friendly and sympathetic money-lender than the

co-operative society of his village ; because he readily helps him with money when he wants it so long as he has enough property from which he could realise his dues, and does not bother about regular payments. In fact the agriculturist finds the village money-lender sometimes coming to him and offering him money for performing the wedding ceremonies of his children or the obsequial ceremonies of his parents even when he hesitates to go to him to ask for a loan. The co-operative societies, on the other hand, fail to help with the money when he wants it more often with a desire to save him from indebtedness. Sometimes out of over-strictness in making inquiries which the agriculturist resents as being inquisitorial and he positively detests the manner in which the agricultural society insists on his returning the loans regularly. That is the reason why the co-operative society has not been able to oust the village money-lender completely, though there is no doubt that if the rural India is to prosper the only agency which can help him out of the slough of despondency is the agency of the Co-operative Movement. In order that the co-operative society can function as completely as it is expected to do great improvements are needed in the present system. First and foremost of the defects in the system is too much departmental control, and secondly, want of necessary elasticity in the system. No one would deny that certain amount of central check and control is always useful and wholesome, but banking is necessarily a business which can be done more effectively and better if it can be allowed to be done by those who are in the business for a fairly long time and who have acquired the necessary experience of the men with whom the bank has to deal. To illustrate the point the co-operative society is now allowed to lend up to a particular maximum limit fixed for a village society by the Registrar and the society is also allowed to lend up to a particular limit fixed for each individual member thereof. It is submitted that a departmental head working even on sound theories and on certain statistical information which he may obtain may be able to fix a limit which may be generally good, but experience has shown that the limit so fixed by departmental heads are found to be too small for many good cultivators in a village. So long as such cultivators do not get the necessary amount of finance which they want for their ordinary purposes from the society of their village they have no interest in joining it. The consequence thereof has been that in a large number of societies only indifferent or a poor type of agriculturists have joined, and large cultivators refuse to join it because the society will not be able to meet their financial needs, and experience has taught them that if they leave their money-lender once and go to the village co-operative society, the money-lender would refuse to lend him. It may be stated that on a proper case being made out the departmental heads may be induced to enhance those limits. Experience has again proved that though theoretically it should not be difficult for having those limits enhanced at their hands, in practice it has been found to be almost an insurmountable difficulty and one cannot understand why the directors of a co-operative bank placed in A class for years together should not be trusted to enhance the limits in case of proper persons and proper societies and why should the Assistant Registrar, who is certainly not in as a close touch with the borrower as the director of the co-operative bank, be trusted to do this more satisfactorily. The complaint is that the agriculturist is not fully financed as and when he wants it. We need not detain ourselves to consider the reasons why as that is beyond the scope of this inquiry. But it may be possible to finance him, as much as and when he wants to be financed, if it were possible to arrange that the society's dues will have precedence over those of any other creditor in all cases.

The rates of interest on personal securities, *viz.*, on mere money bonds or promissory notes vary from 12 per cent. to 24 per cent., though in a few cases substantial agriculturist

may get money at from 6 per cent. to 9 per cent. The rates of interest on security of lands would ordinarily vary from 9 per cent. to 12 per cent. ; but the money-lender charges for " purse loosening " or *vata* at the times of advancing money which goes far to swell the actual rate of interest which the borrower has to pay. It varies from 1½ per cent. to 6 per cent. even though the loan may be repaid within a couple of months. Very often money is borrowed for the purpose of making payments of land revenues on such terms and is repaid in less than two months. The amounts advanced are capitalised sometimes at the end of 3 months, 6 months or a year and these three-monthly or six-monthly or yearly rests also help considerably to swell the amount of the actual interest paid.

In backward tracts advances are made to agriculturists both in kind and in money, payable at the end of a season or a short term of three or four months in what is known as *savai* or *dodhi* or *bamni*. Sometimes interest charged for a rupee is 4 annas per month, i.e. 300 per cent., but such cases are exceptionally rare.

It will be difficult to give an accurate estimate of the total amount of capital required for expenses during cultivation, though a fairly accurate guess may be hazarded. Having regard to different kinds of crops an expenditure of Rs. 10 per acre may be taken to be a fair estimate. The total number of acres in the Surat district under cultivation is about 7½ lakhs, and at the rate of Rs. 10 per acre it comes to over Rs. 75 lakhs. It is difficult to say what capital would be required for capital and permanent improvements or for special needs. Unless and until Government undertake exhaustive economic inquiries of typical villages in a district it will not be possible to make any estimate as regards the capital required for financing the ordinary cultivation, capital and other permanent improvements or other needs.

There are only two joint stock banks in the Surat district, viz., the Surat branches of the Imperial Bank of India and the Bank of Baroda, Ltd. No doubt there are some bankers' shops to finance merchants at the time of marketing of crops like cotton, etc. I am not aware of any important indigenous banking house doing anything, though there are some large money-lenders who advance monies to agriculturists from the time of sowing till crops are collected, and these people make large income by way of interest on such short-term loans by way of helping agricultural finance. The same thing may be said of the Imperial Bank of India, Surat branch, and the Bank of Baroda, Ltd., Surat branch. I am not aware of any very keen competition between the co-operative banks and joint stock banks in the Surat district, though there may be a very slight competition in the inflow of deposits which depends on the varying rates of interest between the banks of the city. As the *hundi* business in the co-operative banks has not been well developed on account of there having not been large co-operative banks at different centres of trade, co-operative banks do not handle much of *hundi* business at present.

Between the three banks in Surat, viz., the Surat District Co-operative Bank, Ltd., the Bank of Baroda and the Imperial Bank of India, there is not much co-ordination and the Co-operative Movement does not get as much facilities from the Imperial Bank as it is entitled to expect from it on account of the fact that on an average the Imperial Bank gets five crores of land revenue every year and the only return it makes for it is keeping account thereof for the Government.

The Surat District Co-operative Bank is also considerably hampered by several restrictions placed upon it in the matter of investments of its funds. In order that it may have the necessary fluid resources it has to maintain an adequate sum of money either on hand

or in local banks. The Bank of Baroda gives an interest of 2 per cent. in monsoon and $2\frac{1}{2}$ per cent. in season on the bank's deposits in current account with it. But the bank is restricted to deposit up to Rs. 25,000 only in that bank. That amount falls far short of the amount which the Surat District Co-operative Bank ought to maintain as resources on hand. Therefore it has to deposit on an average about Rs. 50,000 in the current account of the Imperial Bank's branch at Surat, and although some of the cotton merchants in Ahmedabad are able to extract from the Imperial Bank of India, Ahmedabad branch, interest on their current account deposits with the Bank, all attempts to induce that Bank to give interest to the co-operative banks on their current deposits with the Bank have hitherto failed. It is submitted that when a new agreement is entered into with the Imperial Bank on a future occasion or even by a suitable legislative provision in the Act incorporating the Bank, it should be made obligatory on the Imperial Bank to give interest on the current deposits of co-operative banks therein, particularly because the co-operative banks cater to the wants of the agriculturists and the Imperial Bank uses five crores of land revenue of the Presidency without interest. The co-operative banks are also further hampered by unnecessary departmental restrictions as to the bank or banks in which they could invest their surplus funds and also the amounts of deposits with regard to particular banks.

For instance, the Surat District Co-operative Bank is not allowed to deposit more than Rs. 30,000 in the Bank of India, Ltd., Bombay, but the Provincial Co-operative Bank may invest any amount it pleases in that Bank. It may be argued that the directorate of the Provincial Co-operative Bank would ordinarily be more competent to do banking business than the directorate of the Surat District Co-operative Bank; but it is respectfully submitted that if the Board of Directors can successfully handle a working capital of Rs. 20 lakhs every year, it could certainly be trusted to know where to deposit its surplus funds. Section 37 of the Bombay Co-operative Societies Act allows co-operative societies to invest their surplus funds in all trust securities. No restriction is placed on their powers by statute and yet the Surat District Co-operative Bank is not allowed to invest more than Rs. 100,000 in trust securities even under section 37.

The Co-operative Movement, it can be said without fear of contradiction, has fairly succeeded in meeting the financial needs of the agriculturist. Wherever the agriculturist has failed to get his needs fully satisfied, the fault is mostly his. Owing to excessive financing by the village society and on account of his borrowing from the village *sowcar* also and thus borrowing beyond his means, he becomes a defaulter; he, however, prefers to keep his relations with the *sowcar* as friendly as possible, and therefore, tries to pay him even at the expense of the co-operative society. Such a state of circumstances has created distrust in the financing agency, and the village societies are not financed as fully as they should be. That is the reason why the Movement has not succeeded as it should have been, and all the evils associated with the system of money-lending by the *sowcar* still continue. The Movement has not made much headway with regard to the small trader in the district, though the co-operative urban banks, which have now been started in several important cities and towns, have considerably helped the small traders in the *mofussil*. It has not touched the artisan classes at all in the Surat district, the reason being that the artisans are more or less in the grip of a very few capitalist dealers who are both money-lenders and masters of the artisan classes. They lend them money as and when required, derive a substantial amount of interest on the loan so advanced, and what is worse, exact labour from them on very easy terms. The artisan does not realise what huge rate of interest he pays both by way of small labour charges that he gets and high rate of interest that he pays. Having been wedded to this pernicious

system for ages past, it is difficult to wean him away from it unless educated men are found from amongst his class who can explain to him as to how much he pays directly and indirectly by the system now in vogue and induce him to form co-operative societies. If all the co-operative banks are allowed to advance money to artisan classes on their finished products and also to do the work of selling agents for them, probably it would be found more easy to wean the latter from the pernicious system which they are now following.

QUESTION 2.—The principal crops in the district are cotton, rice, wheat, *juar*, oil seeds and molasses. The principal method of marketing in the backward tracts is the old-world method of the village money-lender acting both as a money-lender and a trader. Before the cultivating season begins he supplies necessaries of life to the agriculturist, advances him money for all his requirements and when the cultivating season is on, he supplies seeds and maintains him by supplying food-grains. He also makes small advances in money which the agriculturist requires for his agricultural operations. He charges a fairly high rate of interest depending on the necessity and helpless condition of his borrower and is cunning in keeping him ignorant of what he is actually doing. Openly he agrees to receive back his advances either in money or kind $1\frac{1}{4}$, $1\frac{1}{2}$ or 2 times as much. When the harvest is collected, he goes round from door to door of his agriculturist debtor, collects all the harvested crops, and takes them home assuring his debtor that he would be able to sell the crops at a much more profitable rate than the debtor. The crops so collected are sold to a broker or to a trader in the town close by who finally sells to bigger merchant either through local brokers or by exporting them to big cities or presidency towns. In this old-world system of marketing, the poor agriculturists stands to gain nothing. In years of bad crops or partial failure of crops he sinks more and more into indebtedness, and when at the end of two or three years a year comes in in which he harvests bumper crops, all his crops are taken away by the money-lender, and he just begins to feel a sigh of relief when at the end of the next year he finds himself in the same helpless condition. In this system of marketing, the only person that stands to gain is the village money-lender who, as said above, combines in him both the occupations of a money-lender and a trader.

The second method of marketing crops is again the old-world method of the agriculturist in backward areas going from long distances with his small crops and selling them either for money or bartering them for such necessaries of life as rice, *juar*, oil, salt, etc., and such small little trinkets which he wants for his children. Here also the petty traders from towns who go to these weekly *bazars* to sell to the agriculturist their few necessaries of life make huge profits out of the ignorance of the agriculturist.

The third method of marketing is that which prevails in more developed areas such as fairly populous towns and cities where more intelligent cultivators cart their crops from villages close by and sell their goods for such prices as they are able to realise on the day on which they have chosen to cart their goods to the towns or cities. Being not very clever and unable to read newspapers they are hardly aware of the prices which are ruling in the towns and cities and after once they have carted their goods all the way from their villages to the towns or cities close by, it would be more profitable for them to sell their goods at such prices as they are able to realise on the spot rather than take them back to their villages. Their ignorance is also exploited by brokers and other intermediaries who never allow such ignorant agriculturists to get the full or legitimate prices which they are entitled to get.

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The fourth method of marketing, which has come in vogue in more recent years, is the one in which brokers or agents of upcountry merchants in cities or presidency towns go to villages and purchase the crops sometimes when they have not even fully grown into fields and sometimes after they are grown but before they are harvested, and often are the agriculturists obliged to sell their goods even before they are harvested to such brokers or commission agents of big merchants, because they often are in need of money particularly at the time when they are called upon to pay instalments of land revenue. The rigidity of collection of Government revenue is so very great that if the Government revenue is not paid on the dates fixed, the village officers are able to realise the land revenue together with a heavy penalty and so dreadfully are the village agriculturists afraid of the petty village officers that they often prefer to sell their goods before they are harvested, as said above, for such prices as they may then fetch in order to avoid incurring the wrath of the village officers. No doubt there is a certain amount of speculation in such transactions, but the village agriculturist is no match for the shrewd broker or the commission agent of the town or city merchants, and the result is that more often than otherwise he always stands to lose. Even in cases where agriculturists are sufficiently well educated and are able to negotiate a fairly good business bargain they are not able to realise the best prices available in the season, for when the crops are first brought in the market the prices always have a tendency to go down. It is only when the crops are harvested and the merchants are able to make a fairly good estimate of the total outturn and when the demand rises and becomes greater than the supply in the market then the prices rise and unless and until methods are devised by which agriculturists can get the necessary finance they want for the time they have to await the steadying or the rising of prices, the agriculturists are always sure to go to the wall. The co-operative cotton sale societies have proved almost to a demonstration that if the agriculturists are able to combine and are able to bide their own time for getting proper prices, *i.e.*, if they are duly financed in the interval to meet their necessities, they are able to get better prices, and therefore, efforts should be made by which the agriculturists should be able to pull their crops together and sell them in large quantities and at times when they are able to get better prices.

During the process of marketing banks and bankers generally finance the big merchants and export houses in the presidency towns and in other important centres of trades. Merchants also render financial assistance in that manner during the process of marketing, but beyond helping the big local traders and large export houses in the cities banks and bankers generally do not financially help in the process of marketing. So far as poor agriculturist is concerned he gets financial help for marketing at present from the co-operative sale societies and co-operative banks only, but the facilities required for this purpose are enormous resources of the co-operative central or provincial banks which are not so far developed as to be able to undertake the whole field of agricultural marketing; but if any system deserves to hold the field for all time to come to the permanent and lasting benefit of the agriculturist, it is the co-operative banks where monies are advanced for the benefit of the agriculturist and also of the depositor of the bank with a strictly just regard for the interest of both the borrower and the depositor. Secondly, the directors of such co-operative banks being so closely in touch with the agricultural societies which require such financial help readily help them. Such a help is not likely to come from bankers or from banks, directors of which are not likely to come in close touch with the agriculturist as their line of businesses is entirely different. It is necessary, therefore, that the Government of India should financially help the co-operative bank both in the cities and in the presidency towns, as the French Government does,

principally because, as stated in another part of this statement, land revenue forms the principal part of the revenues of the Presidency.

The existing facilities for internal remittance are transmission of money by cheques, *hundis*, remittance transfer receipts, bills of exchange, etc. So far as remittance by transfer receipts is concerned, great difficulties are now experienced and sometimes it takes three and even four days before monies are actually received and sometimes it takes even more than four days. What happens in practice is that after money has been paid into a sub-treasury in a *taluka* town, intimation to the paying treasury is either sent that day or sometimes a day later. It reaches the treasury on the second or the third day, and as that treasury sends no intimation to the receiving party, that party has to keep on making inquiries from day to day and may get the money on the day the treasury receives intimation or a day later from the Imperial Bank where a branch of the Imperial Bank exists. All this delay hampers business and causes heavy loss. All that delay could be avoided if Government were to issue a cheque payable at the Imperial Bank or any other treasury on the cheque being presented. Great difficulties are also experienced in insisting on cheques being signed in English or endorsements on cheques, if made in the vernacular script, to be attested by a magistrate. It is not understood why endorsements in the vernacular script of the district should not be recognised as valid without being attested by a magistrate.

QUESTION 3.—The lands in the Surat district may be classed under two heads :—(a) *Inam* lands and (b) *Ryotwari* lands. They may be further divided into (a) *Baqayat* lands, (b) Rice Lands and (c) *Jirayat* lands. *Jirayat* may again be sub-divided into lands in which crops like cotton, *juar*, wheat and cereals, etc., are grown and grass lands. *Baqayat* lands vary in value from Rs. 500 to Rs. 1,600 per acre. Rice lands will fetch from Rs. 150 to Rs. 600 per acre. *Jirayat* lands growing crops from Rs. 100 to Rs. 400 per acre and grass lands from Rs. 25 to Rs. 150 per acre. So far as the *inam* lands are concerned, they will fetch more in value having regard to the remission in land revenue which has been allowed by Government on those lands. The prices above quoted are prices which would be realised in sale and purchase by private negotiation. When the lands are compulsorily sold either for payment of Government revenue or in execution of a decree of court, prices realised may or may not approximate the real price of the land sold according as there is or is not a free bid at the auction. Sometimes people combine against Government or against the creditor putting up the property to sale by auctions ; in such cases proper prices are not realised.

The reason why the prices of *baqayat* lands are so much more than the prices of rice lands is that they yield a large yield of more valuable crops. In case of rice lands the prices vary on account of nearness of the lands to sources of irrigation, fertility of land, its adaptability to growing richer varieties of rice and nearness of market and the possibility of growing a second crop after paddy is harvested. Similar reasons apply to the *jirayat* and grass lands also as to why their prices vary. The prices will also vary according as there is a demand for land in any particular locality or because of more wealth being imported into that locality by people from outside.

QUESTION 4.—There is not much of any legal impediment to mortgage of lands, but cases have begun to occur since the introduction of the Dekkhan Agriculturists' Relief Act in this district in the year 1905 of creditors preferring to have sale deeds instead of mortgage deeds with an express or implied understanding between the parties that the lands would be restored back to the owners thereof on their returning the money taken

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with interest at a stipulated rate of interest. There are no land mortgage banks or agricultural banks in the district nor is there any other bank solely for the provision of long-term credit. The average agriculturist used to get and even now gets long-term credit for any length of time from the village money-lender or the town *shroff* or banker provided he (the agriculturist) is regular in payment of the interest due. So far as he is regular in the payment of interest he need not entertain any fear as to his creditor demanding back the money from him suddenly and thus embarrass him in his business. The co-operative banks since their establishment have also been doing substantial work by way of giving the agriculturist long-term credit for debt redemption as well as for land improvements. Both the Surat District Co-operative Bank and the Broach District Co-operative Bank have large surplus funds for the last many years and they have been annually increasing which they have not been able to use in the Movement, and which they should be allowed to use in lending for long-term credit on the security of the landed property of the agriculturists. So far as the capital and the reserve funds of these banks are concerned, they could be invested on any long term; but a large part of their other funds could also be invested in long-term credit, for it has been found by actual experience that at least 60 per cent. of deposits have come to lie with the bank for years together and there is no reasonable risk in lending them out on long-term credit, provided the banks could rely on the Government or on other joint stock banks to come to their help in case of emergency. I am emphatically of opinion that the district co-operative banks could be trusted to do this sort of long-term credit business as effectively and satisfactorily as any land mortgage banks that could be started, for the managers of such banks have acquired a considerable amount of experience of the agriculturists in their district and their experience ought not to be lightly ignored. The land mortgage banks may supplement the work which the co-operative banks may be allowed to do when and where it may be found necessary.

In order that there may not be cases of fraud with regard to title of ownership, the Record of Rights should not record any rights to such title of ownership which are not evidenced by proper legal documents wherever law requires that such transactions should be evidenced by registered documents unless and until such documents are executed and produced before village officers. At present cases are found of creditors getting false entries made in the Record of Rights such as purchase by an oral sale or landlords getting false entries made of an annual lease by word of mouth in order to create title of ownership or a tenancy-at-will or annual tenancy where, really speaking, the creditors may only be mortgagees, or the tenants, permanent tenants. In case of mortgage banks I would recommend that they should have the power of foreclosure and sale which are now enjoyed by the High Courts in Presidency towns.

The working capital of a land mortgage bank may be derived either from one or other of the three sources, *viz.* :—(a) deposits, (b) funds from central banks and (c) debenture bonds. Government may guarantee both the principal and interest of such debenture bonds. In order that Government's interest may be properly safeguarded, due representation may be given to Government on the Board of Directors of such banks. If agricultural mortgage banks really mean to extricate agriculturists from the heavy load of indebtedness from which they have been suffering and make them hopeful and forward-looking agriculturists, then Government should be prepared even at a sacrifice to arrange that agriculturists get loans for debt redemption and for agricultural and land improvement at a rate of interest not exceeding $4\frac{1}{2}$ per cent. It may be argued that Government also has to borrow at $4\frac{1}{2}$ per cent. and, therefore, Government cannot lend at less than $4\frac{1}{2}$ per cent. and that the banks must have a margin of at least 2 per

cent. for their working expenses ; so that to agriculturists it will not be possible to lend money at less than $6\frac{1}{2}$ per cent. ; but good agriculturists on the security of their lands are able to secure money at 6 per cent. and it is no good to them to borrow money from Government at $6\frac{1}{2}$ per cent. It is hoped, however, that if agriculturists are free from indebtedness in a few years they will be able to live better and to earn more thereafter and it is worth while that efforts should be made by Government to remove them from the state of despondency in which they have been working all these years. It may further be stated that Government gets considerable deposits from poor people in their savings banks accounts at 3 per cent., and Government can, without losing anything, make all these funds available for the indebted agriculturists, at the same rate of interest, so that land mortgage or agricultural banks, in their turn, may be able to lend the same to agriculturists at $4\frac{1}{2}$ per cent.

QUESTION 5.—It is difficult to give an accurate estimate of the existing indebtedness of agricultural classes. It can only be done if Government were to institute a thorough economic inquiry into the condition of agriculturists in certain selected areas—(a) those that are still served by the village money-lender as before, (b) those now served by the co-operative credit society and (c) those that are now served by both the village money-lender and the co-operative credit society. Even when such an inquiry is made there will be difficulty in arriving at an exact estimate because agriculturists often try to conceal their real condition. No doubt, records of mortgage will give some idea as to what is the amount of debt for each village secured on mortgage of lands or houses. But large sums are borrowed on the pledge of ornaments and other movables and on personal security of the borrowers, and it is, therefore, difficult as stated above to reach an accurate statement as to the existing indebtedness of the agriculturist in a particular village ; but a rough attempt can be made at estimating the indebtedness of a village in the manner in which the Surat District Co-operative Bank tried to ascertain the indebtedness of members of the credit societies in three villages of Vatar and Daswada in the Pardi *taluka* of the Surat district and Mahmudpur in the Olpad *taluka* of the same district. The inquiries made by the bank showed that in the village of Vatar, and that is an average type of indebted village of Pardi *taluka*, 31 members of that society owed a total debt of Rs. 23,000. Similarly 9 families in the village of Daswada had a debt of Rs. 11,000 and 10 families in Mahmudpur had a total debt of Rs. 17,600. That means an average debt per family of over Rs. 1,000. The census returns will show us the number of families in each village, and therefore, a fairly accurate estimate of the indebtedness of each village could be ascertained. It is to be regretted that there is a tendency for the indebtedness to increase. The average debt of a member of the village co-operative credit society in Surat district in the year 1915 was ascertained to be Rs. 67·25, which increased to Rs. 103·4 in the year 1928, and generally speaking, it would not be any exaggeration to say that that member will be found to owe to village money-lender or to any other creditor at least the same amount. It would be more accurate to say that his indebtedness to any other creditor would amount to twice or thrice as much because in the case of a co-operative credit society there are certain limits to his power of borrowing which checks do not exist so far as borrowing from other creditors is concerned. Therefore, taking an average family to consist of four individuals, again we come to the same conclusion that the indebtedness of a family in a village would not be less than Rs. 1,000. It is not possible for me to distinguish between the different classes of debts as suggested in question 5 or to state the purposes for which the debts are incurred. All this debt is largely due to the village money-lender

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or to the *sowcar* from the neighbouring town and, to a very slight extent, to a big farmer in the village itself. Wherever co-operative societies have been established, they have also grown into substantial creditors of the village people, but perhaps it would be more accurate to state that an individual owes to a village money-lender or *sowcar* much more than what he owes to the co-operative society of his village. I have already stated the rates of interest prevailing in the district.

In calculating interest they often capitalise principal and interest sometimes at the end of the season, *viz.*, three months, sometimes twice in a year and at least once at the end of a year and thus charge huge compound interest. The ordinary village money-lender and the professional money-lender do not care to enforce payment of their interest or the principal of their debts till the amount swells to such a large amount that the debtor is not able to pay and then either they buy the properties of the borrower outright or try to do so by bringing them to auction in execution of the decree of the court. It is only in backward areas where the ignorance of the agriculturist is so great and where the people are absolutely illiterate that the village money-lender and the professional money-lender in the towns by dishonest methods of calculating interest and compound interest and by not giving him credit for grain and money paid, manage to drag the agriculturist into heavy indebtedness and thus manage at the end of some years to deprive him of his properties. Examination made of three classes of agriculturists, *viz.*, large cultivators, cultivators having medium holdings and agriculturists with very small holdings from different villages in different *talukas* of Surat district who have joined the co-operative societies and which have been affiliated to the Surat District Co-operative Bank, has shown that so far as they are concerned that process has been effectively stopped, though even now cases of their owning more lands at the end of ten to twelve years have been comparatively small. It does not require any great effort to understand that if the cultivator knows that he has only to drudge all his life through but can never have any hope to live a happy or comfortable family life he would cease to have any incentive to work for better and efficient cultivation. The only means of making the Indian agriculturist hopeful, forward looking and resourceful is to make him realise that he can live a life of hope and comfort by removing from him the load of indebtedness under which he is now groaning.

QUESTION 6.—There are no small subsidiary industries allied or supplementary to agricultural industry existing in the Surat district as are mentioned in question 6, though poultry rearing, bamboo matting, basket making, *gur* making, hand-spinning, garden produce, etc., are occasionally done by some stray individuals here and there. Poultry rearing is done on a much more widespreadscale in backward areas where eggs are sold as a source of income. Rope-making and tape-making are also done in some places, but it is not proper to say that these vocations are followed as anything like subsidiary or supplementary industries. The only method which I can suggest by which such industries could be encouraged and by which the producer might be enabled to get a better return for his produce is by organising all these industries on a co-operative basis. Government should help the poor agriculturist in getting raw material on easy terms and also in getting expert advice free in the earlier stages of the introduction of the industries. Co-operative societies for carrying on such industries and cognate sale unions to dispose of the produce made collectively are the best methods of encouraging and spreading industries. As it is, as I have stated more than once during this statement, the agriculturist lives in a bottomless pit of despondency. He, therefore, has neither enterprise nor desire to make use of his spare-time. Demonstration should be arranged at different centres in the *talukas* to make the agriculturists realise by actual

ocular demonstration that they are capable of producing fine articles if they devote their time to these different industries and that such industries are likely to substantially supplement their uncertain income by agriculture, and I have no doubt that Indian agriculturist has great aptitude for taking to all manner of industries the moment he is assured of a certain and fair return for the labour which he is called upon to invest. The best method of securing the working capital for all these industries is, as stated above, to work them on co-operative lines. They will be able to raise the necessary capital by their joint credit and will be able to secure for them proper marketing facilities, if organized for joint efforts. In the initial stage of the movement, Government will have to encourage them by awarding competition prizes by starting Central Bureaus for information and by arranging and giving necessary grants for securing market facilities. No financial machinery other than that of the Co-operative Movement is fitted for this purpose, because the persons called upon to finance such enterprises must be in close touch with the rural areas and directors of large joint stock banks carried on in towns or cities are not likely to be in that touch.

QUESTION 6A.—So far as other small industries which can, in other words, be described as home or cottage industries, a great many of them are in a remunerative condition even now, such as cotton and silk cloth weaving, gold and silver thread industries, sandal wood and ivory engraving, etc., and a large number of people are maintained on these industries in Surat city and elsewhere. The artisans of these industries have never been able to get a decent living. In fact the lot of cotton cloth weaver has been described as one of hopeless indebtedness. The reason why that is so is obvious. These artisans are again as a class illiterate, Government hitherto having taken no trouble to spread even primary education amongst them. Therefore, they are content with their lot of mere drudges. They borrow money from the capitalistic trader in the particular industry in which they are engaged as agriculturists borrow from the village money-lender and endeavour to pay off the debt by work. The merchants who advance them money for their ordinary necessities of life not only charge them a substantial amount by way of discount, but while they advance them money they charge a fairly high rate of interest; their accounts are never honestly adjusted and so long as the artisans are in their grip as debtors they are not able to settle their terms on which they would work for them on a fair or equitable basis. They have to accept such rates as the trader would be inclined to give. With such conditions it is not possible for them to make any decent living though they and their family may work for their master all their lives. All the profits go to the trader and only a dozen or half a dozen traders in these industries exploit the poor artisans and keep them throughout their lives down-trodden. They can be saved if they are organized on co-operative lines and are induced to join co-operative producers societies as well as sale societies for their produce. No efforts have hitherto been made by Government on those lines and the hold of the traders on them is so strong that great and sustained efforts are required in the first instance to wean them from their masters which can only be done if they are shown by actual demonstration that it is to their advantage to join the co-operative societies rather than work in the old methods. There is a great future for these industries as well as for the people engaged therein, if Government were to make earnest efforts to organise all people engaged in these industries on co-operative lines.

The central co-operative banks may be trusted to find all the necessary finance for these small industries, because they have now been able to inspire confidence in the

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people and they get deposits as freely and at as low rates as even the Imperial Bank of India, sometimes even at lower rates of interest. If these banks were assured that they would be able to find employment for all their money they would be able to collect even much more funds than what they now possess.

SECTION II.

QUESTIONS 1 AND 2.—Broadly speaking, the indigenous bank or banker in the Surat District generally does what is ordinarily known as banking business, *viz.*, receiving deposits and lending money and dealing in *hundis*. No doubt, however, there are cases in which the functions of a banker and of a trader are also combined in one and the same individual. Such a person receives deposits and lends money and accepts repayments of the loans made by him in kind, *i.e.*, in the shape of things produced or manufactured by the agriculturist or the artisan for the money advanced by him. At times he advances money on goods, *viz.*, agricultural produce or articles manufactured which are pledged with him for the advance he makes and which he thereafter sells for and on behalf of the borrower. Sometimes he settles the price for the goods given to him beforehand, in which case he also sells them as his goods and thus combines in him the functions of a money-lender and a trader. The indigenous bank or banker finances agriculture often indirectly, *i.e.*, he advances money to the local trader for the purpose of purchasing goods and when the trader enters into bargains for the purpose of purchasing these goods before they are grown or harvested, he indirectly finances the agriculturist and his operations. Mostly, however, he finances marketing of agricultural products. He largely finances traders and artisans, industrialists big and small, and it is difficult to exactly determine the extent of the part he takes in financing agriculture, trade and industry, but it may fairly be stated that he supplies about 75 per cent. of the total volume of the finance required.

QUESTION 3.—The organization of the indigenous banking in the district can hardly be said to be very systematic or complete. The indigenous bankers more or less follow trade usages handed down to them from times immemorial. The relations between one indigenous bank and another are hardly organized though there are *mahajans* or associations of indigenous banks in some of the larger cities. The indigenous banks and bankers do utilize the Imperial Bank of India or the other joint stock banks for depositing their surplus funds and for borrowing from them in times of need. So far as the indigenous banks are concerned, no complaint is heard as to the facilities afforded by the Imperial Bank to them being inadequate. The complaints, however, are that the Imperial Bank at times imposes unnecessarily hard conditions and thus makes it difficult for the indigenous banks to deal with it. The Imperial Bank considers these bankers as its rivals and would rather like to see that they are wiped out of existence.

QUESTION 4.—The two forms of *hundis* which prevail in the district are *shahjog* and *manjog*. These *hundis* are either payable on sight or payable sometime after presentation. They use them for the purpose of sending remittances whenever necessary. They also allow merchants to write *hundis* against goods consigned out of Surat district and advance moneys on these *hundis* and thus give them short-term credit till the *hundis* are cashed.

QUESTION 5.—There is nothing special in the indigenous bankers' methods of granting loans. They, no doubt, allow cash credits to merchants, and to the extent to which they have allowed cash credits they will honour the *hundis* of those people.

These indigenous banks and bankers receive deposits at various rates of interest depending upon the level of their credit in the market. They more or less depend upon

their own capital and sometimes on the cash credits which they obtain from brother bankers and other people whom they allow cash credits. They receive deposits at the rate of $2\frac{1}{2}$ per cent. to $4\frac{1}{2}$ per cent. per annum. These bankers also raise loans by depositing their valuables with other persons.

QUESTION 6.—A priori reasoning leads one to infer that smaller the rate of interest at which the agriculturist receives financial assistance, the better for him and there is no doubt that the introduction of co-operative credit societies and the foundation of co-operative banks has tended to reduce the local rates of interest. But so far as I am able to judge from close examination of the present economic condition of the agriculturist, I am constrained to say that the reduction in the rate of interest merely has conferred very little benefit on the agricultural community so far as his standard of living is concerned or so far as his ability to spend more on agricultural improvements or better agricultural implements is concerned. The load of indebtedness on the agriculturist is so heavy and the quantity of land that he ordinarily cultivates is so limited that even in fairly good years he is not in a position to (1) pay the interest on his debt, (2) meet his current expenses, and (3) meet the expenses on social occasions, good or bad, which he has to defray at short intervals of two to three years. It is, therefore, impossible for him to have anything to spare either for better living or for spending on agricultural improvements, etc. That, that is so, is, as I have observed, clear from the fact that the indebtedness per head of the members of agricultural credit societies is steadily increasing. On the other hand, the facility of getting more finance at reduced rate of interest, I am afraid, has the tendency of inducing the agriculturist to spend more on what cannot be called productive purposes with the result that his indebtedness is increasing.

With regard to indigenous banks and bankers the management charges are never heavy; *vataw* or charges for purse loosening, capitalising loans advanced at short intervals, dishonest misappropriation of payments in kind without accounting for them and even dishonest calculation of interest, all go to swell their profits to a considerable extent, and I believe it will not be wrong to state that these banks and bankers must at least be making from 12 per cent. to 18 per cent. on their capital.

QUESTION 7.—The phrase indigenous bank seems to have been loosely used in this question for the village *sowcar* or money-lender. No doubt, there is some prejudice against some of the worst type of these *sowcars*, but it cannot be stated generally that there is any definite prejudice against the indigenous banker as a class. I am not aware of any difficulty which he has to contend against for the security of his money-lending business. The dealings of this class of bankers with their clientele are conducted on sound lines so far as they are concerned. But so far as their ignorant clientele is concerned, they are more often dishonest than otherwise. If the ignorant agriculturist in a village is to be protected against the malpractices of the village money-lender, then the first thing is to pass necessary legislation making it compulsory on these village money-lenders to maintain regular books of accounts in *pucca* bound books issued to them by specified officers with their seals on every page which should be numbered, and it should be left to the court to disallow any such claim of a village money-lender against the agriculturist, if not supported by regular accounts kept in account books prescribed. The most usual form of his dishonest practice is not to account for payments made to him in kind and sometimes those also made in cash. Even when he accounts for them, he does not correctly account for the prices realised and goes on taking adjusted accounts

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from his borrower, sometimes at the end of three months, sometimes at the end of six months and sometimes at the end of a year so that at the end of three or four years it becomes impossible for the borrower to successfully convince the court that all these accounts have been kept dishonestly; but any attempt at insisting on their accounts being kept in a particular manner would, I am afraid, be resented greatly by this influential class of people, and may temporarily have the effect of making the position, of the village agriculturist worse so far as finance is concerned unless there is a co-operative society in the village which would be able to finance him.

QUESTION 10.—As stated above, indigenous banking more or less finances traders in district towns and cities which act as middlemen to big export houses in Bombay. I do not think that they will have the necessary confidence in a branch of a joint stock bank or a central reserve bank which they will have in a local bank with local directorate, and the local directorate will be able to serve the agriculturists or small traders and artisans in the district or *taluka* town. But it is no use multiplying such banks when there are already existing urban co-operative banks and district co-operative banks. The co-operative banks in the district have been able to inspire confidence and it will be better to make more extended use of the co-operative banks rather than start new local banks. The interest of the urban co-operative bank will more or less be in conflict with that of indigenous banking. District central banks as they deal largely with rural societies with unlimited liabilities have already established great confidence amongst the people who prefer to deal with the district central banks and deposit money even at a smaller rate of interest with them on account of that confidence. Therefore, in my opinion, it will be better to devise methods by which indigenous banking could be linked up with district central banks. It will not be difficult to inspire the necessary confidence in the indigenous bankers if they be allowed certain facilities which they do not now get from the Imperial Bank. Moreover, they will be entitled to share in the profits of the district central banks as all members of the banks do, and if these banks give certain other facilities to these bankers, I believe, they would be able to utilize their local knowledge and experience; that can also be secured by giving a certain distinct representation to them on the directorate of the central co-operative banks and by allowing the central banks to expand their present business and assimilate more and more work which is now being done by other joint stock banks. A net work of co-operative banks in almost all important centres of trade and business will also be necessary, for indigenous bankers will not be induced to join unless they have facilities of remittance of their money to all such centres. As the area in which indigenous bankers operate is mostly confined to urban areas, there will not be any appreciable competition between the indigenous bankers and the central banks so far as their lending is concerned.

QUESTION 11.—I cannot say that any very large amount of money in the district in the hands of indigenous bankers does not find employment in the district itself, but it is certainly true that that money does not find employment all throughout the year, and as here are not any well-established banks in districts, cities and towns and as these bankers will always like to have their money employed, they have to invest their money in purchase of stocks and shares, Government paper, etc. They have to carry on all these operations through the agency of commission agents in Bombay or banks in Bombay. It is, therefore, natural that the surplus funds are invested either in fixed deposits or current accounts with the banks in Bombay and are drawn upon by them for their several needs mentioned above. If local industries are better organized and if Government undertake to carry on necessary investments for agricultural and land improvements

on more systematic basis, there is no doubt that most of these funds would find remunerative employment in the districts. As it is, people have hitherto looked upon Government to think for them and to initiate works of improvement for them, and the moment Government takes the necessary initiative the local officials also will take up the initiative and carry out the policy of Government with zeal and earnestness. Government hitherto have done nothing to organize local arts and industries which have been dying out on account of foreign competition and organizations. It is high time, therefore, that Government should organize industries and organize marketing for the products of those industries by founding central bureaus for information and devising means to find market for them. If that is done on a systematic basis, I have no doubt that such surplus funds as find their way out of the district into provincial towns and benefit people other than those in the district will be utilised in the district itself.

SECTION III.

QUESTION 1.—Among the existing banking resources in the Surat district may be mentioned the Imperial Bank of India, Surat branch, the Bank of Baroda, Surat branch, the Surat district co-operative Bank and its branches at Bulsar and Chikhli, the People's co-operative banks at Surat, Bulsar and Rander, the co-operative credit societies about 170 in number, the indigenous banks and bankers and the village money-lenders and big money-lenders in the *taluka* and district towns.

Of the means or institutions in existence for encouraging savings and investment habit the most important is the postal savings bank, the savings bank departments of the above-mentioned banks and the recently introduced system of postal cash certificates.

There is not much of surplus wealth in the rural areas in the district which remains uninvested on account of the absence of any such facilities, but it must be stated that there are many months in the year during which some of the surplus funds in the hands of the agriculturists may for a short time be invested, if proper facilities were given to them nearer their door. The first step to be taken to extend these facilities is to extend the number of postal savings banks so as to have at least one postal savings bank within the easy reach of every villager. Secondly, the co-operative credit societies should be encouraged to develop their savings bank accounts by allowing them some commission on the amount of savings bank work which they may do, say a commission of $\frac{1}{2}$ per cent. on all monies brought by the village credit societies and invested in Government postal savings banks, or giving them on the monies deposited by them higher rate of interest of $\frac{1}{2}$ per cent. The co-operative societies and banks have, no doubt, to a considerable extent, influenced and encouraged the habit of saving, and it is now high time that Government should take steps to encourage insurance companies on co-operative principles to be formed in rural areas both for life insurance and cattle insurance.

There are very few provident societies formed and active steps may as well be undertaken by Government for the purpose of forming such provident societies as Government did in the initial stage for the foundation and spread of co-operative credit societies.

There are some people who by religious instinct are unwilling to earn interest on their deposits; but they are not unwilling to invest their monies in buildings and other profitable constructions if they are in a position to have a fairly good return for their investment by way of rent. Such people can be encouraged to invest their money in making public buildings, such as schools and hospitals, undertake irrigation projects, projects of

land improvement, etc., if they are guaranteed a certain amount of rent on their buildings or constructions which they make for the public. Those people who are averse to earn interest on their deposits because of religious sentiments in them are more often inclined to invest their monies in such schemes where they expect to get much less return on their investments, and there is no reason why Government should not induce them to do so. Government borrow a large amount of money for their capital expenditure on public works which they utilize in making public buildings, etc., as stated above. Government can induce these people to invest their monies in such buildings, etc., if a decent return by way of rent is assured. However, I must insist that such investments should not be allowed to be made outside the districts, otherwise there will be a tendency of money being drawn away from the district.

I am afraid, there is a belief in some quarters that the people of this country hoard their wealth in gold and silver. At any rate, I do not think that there is much surplus wealth in the rural areas which is hoarded in silver and gold. No doubt, all people like to have a certain amount of ornaments and jewellery for their women and children and, therefore, they naturally invest some of their savings in gold and silver ornaments. They invest their monies in land because of its stable income, its safe investment, but I do not think there is any substance in the cry so often raised that Indians are in the habit of uneconomically hoarding up their wealth in gold and silver. In fact there being no other avenue of investment open except land, there being very few organized industries in which their money could be invested, it is but natural that they would invest some of their money in the purchase of land nearer home. Government of Bombay have no doubt a Director of Industries and his Department, but probably more is spent on the maintenance of his office than in the encouragement of industries, and it is high time that something should be done to develop means of investment other than land so that people of the country will be naturally induced to make all their funds available for national welfare. In order to encourage habits of saving and investment among the people, a certain amount of propaganda by way of magic lantern slides should also be carried on along with the provision of facilities of savings bank as stated above, and that work can easily be done through the agency of co-operative societies.

QUESTION 2.—Postal cash certificates are, no doubt, popular and are growing in popularity. It would be desirable if little more interest and a uniform rate of it were given on them to make them still more popular. They should be made payable at the end of three years instead of five, and they should be made negotiable. Experience has shown that savings bank accounts in the Surat District Co-operative Bank have been more popular than the postal savings bank in the city itself, and on inquiry it appears that people have greater facilities in the central co-operative bank than what they enjoy at the post offices.

(1) The central bank receives savings deposits up to 6th of every month and allows interest for the whole month for monies deposited up to that date.

(2) The hours of deposit and withdrawal should be earlier than the hour at which people have to go to their offices or business. People cannot afford to be at the post office savings bank between the hours of 11 and 3. Most of the middle class men have to be on their way to their offices at that hour.

(3) It is desirable that money should be allowed to be withdrawn at least on alternate days in the week.

Generally lower middle-class people and more or less salaried class of people resort to savings bank for investment. More facilities of investment as stated above should

be given to induce people to resort to such forms of investment. People may be allowed to withdraw up to Rs. 1,000 even without a notice in cases where there are Huzur or some Government treasuries or the conveniences afforded by the branches of the Imperial Bank.

QUESTION 3.—The people of this district, so far as the habit of investment is concerned, can be roughly divided into the agricultural classes residing in the rural areas and the residents of the urban areas. As regards the former, I do not think that at the end of the season, after paying off the interest on their borrowings, the Government assessment and the loans that they had borrowed previously, there remains much which they could invest. Most of them will live from hand to mouth, and if they have got any surplus then they prefer to invest with the village money-lender or *sowcar* who receives deposits at small rates of interest and is able to get deposits on such rates because of his credit in the village and because of the ease with which the depositor can get the money back from him whenever wanted. Small artisans, industrial classes in the city, traders, salaried servants of Government and other public bodies and other people whose incomes are limited by what they get at the end of a month as salaries invest in postal savings banks or savings bank of the Imperial or co-operative or other joint stock bank and invest their surplus funds in the purchase of Government securities or railway shares and such other safe investments as shares of public utility companies. People who are able to command more money like large traders, merchants, bankers, big landlords, professional men like lawyers, doctors and such other people, besides investing in the securities mentioned above, also invest their monies in cotton and jute mill shares and shares of other joint stock companies where with a certain amount of speculative risk there are chances of getting a larger return on their investments. These people also invest their money on fixed deposits or current deposits in banks as they require moneys more readily than others for their business purposes. Some of them also invest money in lending on security of ornaments and immoveable properties. Farmers do lend to fellow agriculturists and the terms of lending are, as a rule, more easy than those of the money-lender. If they get an opportunity of purchasing more lands, they would surely invest their profits in purchasing more lands.

QUESTION 4.—There is no doubt that since the introduction of cheques in the Co-operative Movement, the habit has grown steadily. The system of cheques was introduced in the Surat District Co-operative Bank in the year 1921 and the numbers of cheques issued from the year 1923-24 to 1928-29 are as follows :—

Years	No. of cheques used by societies.	No. of cheques used by members	Total No. of cheques used
1923-24	1,275	2,025	3,300
1924-25	2,025	1,500	3,525
1925-26	2,000	1,575	3,575
1926-27	2,400	1,700	4,100
1927-28	2,775	4,450	7,225
1928-29	4,325	3,575	7,900
	14,800	14,825	29,625

The most encouraging part of the business is that co-operative societies like the cotton sale societies and other go-ahead societies have also begun to appreciate transmitting monies by cheques as appears from the numbers of cheques they have been issuing from year to year.

The stamp duty on cheques was abolished in the year 1927 and the growth in number of cheques from that period also shows that the abolition of stamp duty had a great effect in popularising the use of cheques. As stated above, cheques are being used by all classes of people now, but the fact that the English script is recognised so far as the signatures on cheques are concerned and the necessity of having the vernacular endorsements attested by magistrates or witnesses has to a certain extent retarded the movement. In order that the system of using the cheques be more popular among the people, the use of vernacular scripts in cheques should be freely allowed for forgeries in vernacular can as easily be detected as forgeries in English. The use of vernacular scripts in banking will give it a great impetus in the rural areas where it is difficult to find English knowing people except an individual here and an individual there.

QUESTION 5.—I admit that the banking and investment habit in the sense in which we now understand the term is certainly of a very slow growth in India. But that is due to the fact that banking institutions were up till recently confined to presidency towns. In some Native States rulers themselves open State banks and that has a very encouraging effect on the investment habit. The sudden growth of Indian banks in Bombay during the last decade and their failure also contributed greatly to check the habit of investments in banks. With the introduction of co-operative banks in district towns, district cities and *taluka* towns, the habit has now been considerably developed. A good deal can be done by Government, if Government were to undertake to carry on propaganda in this direction not through official agency but through non-official agency; Government may appoint advisory boards of non-official gentlemen with expert knowledge in finance and banking to work as an advisory board to the people as to the best and safest method of investments at the time. I recommend that investment trusts on co-operative basis as have been recently started in England should be introduced in India and, if necessary, Government should guarantee a certain rate of interest in the initial stages of the growth of such investment trusts. As stated above a certain amount of distrust was caused by the widespread failure of Indian banking in the last decade. That distrust, no doubt, is wearing away by lapse of time, but it would take a very long time before the conservative instinct of Indian people will again adapt itself to the new methods of investing in banks. On the whole, the result of the opening of new branches in recent years by the Imperial Bank of India has made the transmission of money more easy and is thus giving an impetus to trade. But the hopes that were entertained in the beginning that these branches will be the centres of training up competent Indians for banking purposes have not been fully realised, and much still remains to be done in that direction.

Oral Evidence.

5868. *The Chairman*: Mr. Gandhi, you are the Chairman of the Surat District Co-operative Bank, Ltd. ?—Yes.

5869. And you are an advocate practising here for the last 33 years ?—Yes.

5870. The Dekkhan Agriculturists' Relief Act was introduced here in 1905 ?—Yes.

5871. You were practising before its introduction ?—Yes.

5872. Do you find any change in the credit of the agriculturists since then?—Yes, I find a considerable change.

5873. Is it due to the fact that this Act has been introduced, or is it due to other facts?—Mostly it is due to the introduction of the Dekkhan Agriculturists' Relief Act.

5874. Do you suggest its repeal or its modification?—I suggest an absolute repeal.

5875. Would you not even give the agriculturists instalments to repay their debts?—This I will.

5876. For this, there will have to be some legislation?—This we have even under the present Act. Instalments can be given.

5877. What about the rate of interest?—It can be reduced under the Usurious Loans Act.

5878. Apart from the question of repealing the Act, I expect, you will make some allowance for deeds registered under the present Act, that they should not be enforced immediately?—Of course.

5879. Your bank has made certain enquiries about indebtedness?—Yes.

5880. In the case of those three villages mentioned in your written evidence, we find the average debt per family of over Rs. 1,000. Later on you say "The average debt of a member of the village co-operative credit society in Surat district in the year 1915 was ascertained to be Rs. 67·25, which increased to Rs. 103·4 in the year 1928, and generally speaking, it would not be an exaggeration to say that that member will be found to owe to village money-lender or to any other creditor at least the same amount. It would be more accurate to say that his indebtedness to any other creditor would amount to twice or thrice as much because in the case of a co-operative credit society there are certain limits to his power of borrowing which checks do not exist so far as borrowing from other creditors is concerned. Therefore, taking an average family to consist of four individuals, again we come to the same conclusion that the indebtedness of a family in a village would not be less than Rs. 1,000." If this sum of Rs. 1,000 is divided by 4, the total would come to Rs. 250 per member, according to you and would be in excess of the sum of Rs. 103 mentioned above?—Yes. What really happens when a family wants money is, the father and the son divide their holdings into different names and take different loans.

5881. Is this very usual here?—I would not say that it is very usual here, but there are many cases.

5882. Would there ordinarily be four divisions in a family?—I have to modify this a little. When the sons of an agriculturist grow up every one of them takes a loan.

5883. I ask you so because if this is correct, viz., an average sum of Rs. 1,000 per family approximately, then we can make an approximate estimate of total indebtedness of a particular tract on that basis?—You can have 4 or 3 divisions, but the general impression is otherwise. I mean the general impression of the people.

5884. Is the average debt per family more than Rs. 1,000?—Yes. I cannot give you any figures to substantiate this statement.

5885. Quite apart from these enquiries, are there any other figures about indebtedness?—No. These were the cases of debt redemption, and therefore, we had to work them out in conference.

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5886. By individual enquiry?—Yes.

5887. Have you any estimate as to the current financial requirements of agriculturists?—I can say only roughly. I say that on an average it would come to Rs. 10 per acre.

5888. But have you worked it out?—No.

5889. We find some witnesses say Rs. 15 are required and others say Rs. 20 are required?—It is very difficult to work out the figure. In *jirayat* lands the requirements for land would be fairly Rs. 3 to Rs. 4 and in *bagayat* it will go up to Rs. 20 or Rs. 25 and sometimes more.

5890. But it would be possible to work out what the cash requirements are for different crops?—Of course, but for this Government must undertake an economic enquiry.

5891. But can this not be worked out from the normal credit statements. This could be made a basis to find out the cash requirements of members?—They require money for so many purposes.

5892. But do you not specify those in the statement?—Yes.

5893. Is it a fact that your bank has a fairly large surplus?—Yes.

5894. We have this phenomenon: On the one hand, the agriculturists need a very large amount of capital in this district at a reasonable rate of interest and, on the other hand, your bank has 13 lakhs and is not able to utilise a fairly large part of it. How do you explain these two things?—There are two reasons. Firstly, there are the restricted limits, and secondly, we have to work on these restricted limits, which are not fair to many agriculturists.

5895. As regards limits in individual societies, the general limit fixed is suited to the needs of a large majority of members?—Yes.

5896. Then the question is only about a few members. Are not special limits sanctioned in the case of these members?—Theoretically they are allowed by the Registrar, but in practice it takes years and sometimes it is not done at all.

5897. You want the procedure to be expedited?—No; I would go the other way. Why should not the bank be entrusted to finance people whom they know? Why should a banking institution be controlled by a Department? I can understand that some banks which are not developed require to be controlled more effectively, but why should not other banks which have shown their good work for years together be trusted to give these limits themselves.

5898. How would a bank ordinarily find out whether the limit asked for is really necessary or whether it is desirable to increase the limit of any individual member?—There are the bank's inspectors and directors who are in touch with the individual.

5899. How are the directors in touch with the individual?—By going to him.

5900. Would these inspectors know these individual cases better?—Yes.

5901. Your suggestion is that so far as the sanctioning of special limits is concerned, it should be left to the bank?—At least banks which have been tried and which are working well should be entrusted to give these limits themselves.

5902. This is one way. What are the other ways?—Another different institution should be started for financing bigger people.

5903. Will it be something like a *zemindari* bank?—Yes, but I would rather prefer a bank in the district catering to the wants of all of them instead of having one separate *zemindari* bank for separate class of people.

5904. You mean the district central bank should be the bank for financing such individuals as well as societies?—Yes.

5905. Was not your bank financing individuals when it was started?—Yes, theoretically, from the very beginning, we have been checked not to do so. Now we have been at last reduced to the position of an ideal central bank.

5906. Do you not think that the interests of societies would suffer if a district central bank finances both individuals and societies?—So long as district central banks have surplus funds, they should be free to do business.

5907. Is there room for expansion of societies in this district?—Yes.

5908. In that case new societies would absorb your surplus amount?—No. Unless big cultivators come in, it is not possible, and they will not come in so long as there is this limit of Rs. 300.

5909. Will they come in if special limits are fixed?—Yes, they will come in.

5910. Could not a part of your surplus money be advanced for long-term loans?—So far as our share capital and reserve funds are concerned, they come to over Rs. 2,30,000. I find that 50 per cent of our money is lying with us for a number of years. Our fixed deposit amounts to a lakh of rupees which is lying with us for 15 years.

5911. Deposited by the same individuals?—Yes; they have been renewing their deposits. We are not doing long-term credit in order to be on the safe side, but, if we are allowed to do long-term credit, we will be able to get deposits for five years and ten years.

5912. What prevents you from doing long-term business? Is there anything in your rules which prevents you from doing so?—We have to look to the safety of the bank.

5913. You say that you will be able to give loans for five years and ten years, but your deposits have been either one-year deposits or two-year deposits, the latter being the maximum period?—But they have continued with us. Because there might be crisis at some long period, that is no reason why we should not be allowed to do long-term business. If there is a crisis at that time, we should have assistance either from the Provincial Bank or from Government. So far as we are concerned, out of 20 lakhs of working capital, we have invested 5½ lakhs in Government securities. This sum is a fluid resource even in times of trouble.

5914. Is this sum from your deposits?—Yes.

5915. This sum you may require for repayment if there is a crisis?—Yes. What I feel is, if at the time of crisis people know we have sufficient backing by any agency to finance us and if finance is forthcoming, the crisis will be over. It will be only a panic.

5916. It comes to this, that you want to do long-term business with short-term capital?—No. If we are freely allowed to do so, we shall be able to get long-term deposits.

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5917. That would be a different question ?—Yes.

5918. But even now are you not able to do to a certain extent long-term business ?—Yes, we do.

5919. Your suggestion is that you should be given a sort of cash credit for getting over the difficulty, if there is a crisis ?—Yes.

5920. Is it not proper for a banking institution to stick to banking principles, and that so far as your business is concerned, you should do long-term business only with long-term capital ?—Yes.

5921. Referring to your statement, it seems rather a peculiar system here that an agriculturist goes to two *sowcars*, i.e., he goes to a village money-lender and to a *taluka* money-lender who is also a purchaser of his goods, whereas in other districts an agriculturist goes to one *sowcar* ?—Yes. The village money-lender is a very small man with very small resources. He lends Rs. 2, Rs. 5 and so on. He supplies things also.

5922. He is rather a trader than a money-lender ?—He is both a trader and a money-lender. Therefore, when an agriculturist wants a larger sum of money, he has to go to towns.

5923. You say that some good farmers do here money-lending business. Have you had an experience of such farmers ?—Yes.

5924. Are they better or are they worse than the ordinary money-lenders ?—They are better.

5925. They do not have an eye to the land ?—No.

5926. Some people say that an agriculturist money-lender's object is to grab the land ?—No, it is not so.

5927. They are not professional money-lenders ?—No.

5928. They lend their surplus money ?—Yes.

5929. You say that although the Co-operative Movement is the best for agriculturists, it has not been able to do much, and one of the reasons given by you for it is that the village money-lender's system is elastic ?—Yes.

5930. After all, the relationship between a village money-lender and his client is personal but co-operative societies must follow certain rules ?—Quite so.

5931. You say that there is much departmental control. The control comes before a society is registered. How does it come after its registration ?—I am referring to the control which the Department exercises over the banks in not allowing the banks a certain amount of elasticity.

5932. That is as regards investments ?—Yes.

5933. Is that the only thing ?—And limits.

5934. They are in the rules. After the bye-laws have been framed and societies have been registered there is no interference ?—No ; there is no interference in the actual work.

5935. You say : " But it may be possible to finance him, as much as and when he wants to be financed, if it were possible to arrange that the society's dues will have precedence over those of any other creditor in all cases " ? I feel so now, though perhaps it does violate the theory, that a society should be considered to be a good society which can live on its own credit and non-members' deposits. What we find now-a-days is, that

with all our efforts to see that lending is done on proper lines and thoroughly regulated, after the money is distributed amongst members of societies, some influential men amongst them who have not enough or whose relatives have not enough borrow non-members' deposits indiscriminately afterwards, with the result that the managing committee becomes really unmanageable, and then they first try to pay off those men. As you know a *sowcar* will have more direct touch with a society; with the result that the society goes from bad to worse; and the money lent by the society is not recovered notwithstanding the fact that banks are trying to see that lending is done carefully. Therefore, I propose that a society's dues should have precedence over those of any other creditor in all cases.

5936. Suppose I go to a *sowcar*, the *sowcar* knows me and gives me a loan, then I go to a society and borrow again. You are of opinion that this second loan should have a preference over the first loan, is that so?—If we are anxious to see that co-operative societies which are in the interests of the people should be developed and indebtedness does not increase, this will have to be done. I place the interests of agriculturists above theoretical consideration of equity of this character.

5937. But this might encourage dishonesty?—There might be cases. I will not deny that.

5938. In your written statement you say: "As the *hundi* business in co-operative banks has not been well developed on account of there having not been large co-operative banks at different centres of trade, co-operative banks do not handle much of *hundi* business at present." Do you mean inside the presidency or outside the presidency?—Both inside and outside the presidency.

5939. There are co-operative banks now in different parts of the presidency?—Yes, and they can be developed. At present we are not doing much *hundi* business. Co-operative banks have now come to an understanding to cash our *hundis* at par.

5940. As a matter of fact co-operative bank have their work in the presidency itself and also outside the presidency?—Yes; it should be developed more.

5941. You say in the next paragraph that the Co-operative Movement does not get all the facilities which you want. One thing you have mentioned is interest on current account?—Secondly there is remittance by transfer receipts. We get money sometimes after three days or four days.

5942. That is from a sub-treasury?—Yes. As soon as we deposit money in a sub-treasury, why should we not draw a cheque and present it for encashment to the Imperial Bank?

5943. But this is not a facility from the Imperial Bank; it is a facility from Government?—But if the Imperial Bank agrees to cash those cheques, we will get this facility from it.

5944. As regards freedom for investing your surplus, you suggest that co-operative banks should be entirely free to invest the surplus in all trust securities, and especially about your bank you say: "It may be argued that the Directorate of the Provincial Co-operative Bank would ordinarily be more competent to do banking business than the Directorate of the Surat District Co-operative Bank; but it is respectfully submitted that if the Board of Directors can successfully handle a working capital of Rs. 20 lakhs every year, it could certainly be trusted to know where to deposit its surplus funds"?—

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I mean those banks who have proved themselves capable of doing good work should be trusted to know where to deposit their surplus funds.

5945. What is the practice at present ? I think a list is prepared by Government ?—But even with regard to that, the banks are restricted as to the amount. The Bank of India is one of those banks. We are restricted to place only a certain sum of money with them and not more.

5946. Would you be satisfied if a list is prepared by Government and you are allowed to place any amount and no restriction in that respect is put on your bank ?—Yes.

5947. *Mr. V. L. Mehta* : At present is there a restriction on the total amount, or on the amount to be placed in each individual bank ?—There is a restriction on the amount to be placed in each individual bank.

5948. Is there no restriction on the total amount ?—No.

5949. *The Chairman* : You say that the Co-operative Movement is not financing the trader or the artisan ; why is that so ?—The People's Bank has been started recently to deal with them. We have not been able to do much uptill now.

5950. About marketing you say : “ The principal method of marketing in the backward tracts is the old-world method of the village money-lender acting both as a money-lender and a trader.” That is to say, an agriculturist taking his produce for sale to a village money-lender, and the village money-lender disposing it of just as he thinks fit and crediting the amount to his account ?—Yes.

5951. Why does the man take his produce to him ?—I mean that is an understanding between him and the man who lends money. This is a sort of lien over his crop. Even if an agriculturist does not go to his field to bring the crop, the money-lender goes and brings all crop.

5952. In that case as well as in the other case, when crop is taken from a village to a market, it is exported to a port or to some other place. Take the case of a well-to-do class of agriculturists who take their crop to market places. Do they require finance before the crop is actually taken to a market ?—Yes. In some cases where they have to pay assessment, they require finance.

5953. Where do they get it from now ?—From the *sowcars*.

5954. At the market places ?—No ; in their villages they receive the money.

5955. Do they have to borrow on the security of their produce ?—Sometimes they have to do so, because if crops are not ready, they borrow money for payment on the security of their crop.

5956. But is the crop taken away by their creditors ?—No.

5957. When the crop is brought to the market and sold, does the agriculturist get his money immediately or after some days ?—Sometimes he gets it after three or four days.

5958. And then the crop is exported ?—Yes.

5959. Do you know how this export is financed ?—It is financed by the big merchants of the city, and they draw *hundis*.

5960. Does the system of financing on the security of crop still prevail in these parts ?—In some parts it is existing. I will here suggest one thing. There is no reason why Government should not postpone the recovery of the assessment of a member

in villages where there are co-operative societies which can stand as sureties for members' money.

5961. What are the present dates of instalments ?—From 10th to 20th January and the latter part of February.

5962. These dates are for *kharif* crops ?—Yes.

5963. Your suggestion is that where there are co-operative societies, and if they agree to make payment of assessment of members after the crop is sold, Government ought to suspend collecting the assessment ?—Instead of suspending it to a particular date, it should be suspended till societies are in a position to pay after recovering from their members, because they only stand as guarantee for the same.

5964. Are there facilities in Surat, also in *taluka* towns and in market places, for godowns where agriculturists can keep their crop and take an advance against it ?—There are no such facilities.

5965. In such places would it be desirable to have such godowns ?—Yes.

5966. Does not your central bank advance against crop ?—Cotton sale societies make such advances.

5967. Are there no other institutions excepting cotton sale societies which do this ?—No.

5968. *Mr. V. L. Mehta* : Does not the Imperial Bank advance against crop to a large extent ?—It only finances the trader in the city on the security of agricultural produce.

5969. The Imperial Bank does not finance in any other market centres ?—No.

5970. *The Chairman* : You say in your statement : " It is necessary, therefore, that the Government of India should financially help the co-operative banks both in the cities and in the presidency towns, as the French Government does, principally because as stated in another part of this statement land revenue forms the principal part of the revenues of the presidency " ?—It ought to be modified. The Government of India cannot do it. It is the Bombay Government that should do it because the Co-operative Movement is a transferred subject.

5971. You want Government to help co-operative banks for marketing purposes ?—Not only for marketing purposes, but for all agricultural purposes we want that Government should help us.

5972. In the next paragraph you say that there should be facilities for direct receipt of money at *taluka* sub-treasuries ?—Yes.

5973. About the Record of Rights, you are against the entry of any oral transactions ?—Yes.

5974. But the Record of Rights would not be a true record if some transactions which are entered into orally are not shown in the Record itself ?—That should be done in the presence of both the parties. Now a *sowcar* goes and makes a representation to the *talati* that he has entered into an oral lease ' A ' for one year. This is taken as conclusive proof.

5975. Is this taken as conclusive proof before the entry is verified by some superior officer ?—Theoretically it may be possible. Really it is not possible for the officer to do so.

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5976. But the entry would not be entered unless it was verified?—In that case, verification must be done in the presence of both parties.

5977. Under the rules each entry has got to be certified by some superior officer?—Theoretically it may be possible, but practically it is impossible for an officer to verify each and every entry, and I found cases, what I considered to be rightful claims, rejected by courts, because there was no evidence.

5978. About subsidiary industries, is there any difficulty of finance, or is it the difficulty of marketing which comes in their way?—Organization and marketing.

5979. Is there any difficulty of finance for these small industries like basket-making, bamboo making, *gur*-making, etc.?—I am rather of opinion that a credit society may be allowed to act as a general purpose society in some cases so that what little finance members want can be supplied to them without starting a separate society for them.

5980. But there is nothing to prevent a credit society from giving finance for *gur*-making even now?—As a matter of fact, it is not done.

5981. It can be done?—Yes. Bamboo making or basket making is not a part of agriculture. Poultry rearing may be a part of agriculture.

5982. But the rules of your bank do not restrict your finance only to agricultural purposes?—As I understand them, it is only limited to agricultural purposes.

5983. But the main difficulty is about marketing rather than financing?—Yes.

5984. You are in touch with the indigenous banking system here?—We have not very much indigenous banking in Surat.

5985. But you have a good many indigenous bankers?—There are some money-lenders and bankers.

5986. Do they take deposit and advance money?—Not very many.

5987. Is not the bulk of the internal trade financed by indigenous bankers?—No; merchants and some money-lenders finance trade. Persons who supply raw material also supply the credit.

5988. This is for small industries. Take the case of crops like cotton. Does it not require a large amount of finance?—Many of our cotton purchasers are from outside—Ahmedabad millowners and Bombay millowners—and they finance cotton mostly. The Imperial Bank might be doing something.

5989. One difficulty is that the Imperial Bank cannot spread its branches into *talukas*. It does not pay them to start small branches. Therefore, in order that people at *taluka* headquarters and other people in market places should get the benefit of the resources of the Imperial Bank, it has been suggested to us in more than one place that some of these indigenous bankers, who will be men of sufficient credit, should be appointed as agents of the Imperial Bank and that they should give a certain amount of guarantee and should undertake to do business for the Imperial Bank on commission. What do you think of the desirability of adopting this system?—I would not be in favour of substituting one individual banker in place of the other. I would rather have branches of co-operative banks in *taluka* towns.

5990. Would you have branches of your district bank or separate urban banks in different places?—Every *taluka* town should have its own bank managed by local people.

5991. Would it include indigenous bankers also?—Yes.

5992. Therefore, you think that indigenous bankers and other people can start a local urban bank to undertake this business ?—Yes.

5993. Are you in favour of redemption of old debts ?—Yes.

5994. You say that indebtedness is increasing ?—Yes, it is because of the manner in which some influential members of societies have been borrowing indiscriminately.

5995. What about other members ?—They get finance from societies and promptly repay. It is only when those influential members are allowed to borrow non-members' deposits indiscriminately that the debt increases.

5996. Are you in favour of the proposal that primary societies should not take non-members' deposits ?—I should think so, because the privilege has been in most cases abused, though it is an indication of a society's credit. As a matter of fact it is being abused.

5997. Has there been any difficulty in any of the societies in this district about repayment of these deposits ?—Yes.

5998. Has your bank advanced money for repayment of these deposits ?—In some cases the bank has paid money at the last moment to save societies and then the bank also got into difficulty so far as recovery from societies was concerned.

5999. You say : "Therefore, in my opinion it will be better to devise methods by which indigenous banking could be linked up with district central banks." Is this a repetition of the suggestion made just now that a district bank should do the business of financing societies as well as individuals ?—Yes.

6000. And they should be invited to join the directorate ?—Yes.

6001. Do you want the district central banks to work more on the lines of joint stock banks ?—No. We should be allowed to do all work which they do not do, with perfect freedom of action. So far as the distribution of profits is concerned, our borrowers will have an equal share.

6002. So, except as regards the distribution of profits, you will work more or less on the lines of joint stock banks ?—No. Also we will be fair in charging interest. We will not exploit anybody.

6003. Except for these two principles, you would work exactly as joint stock banks ?—Yes.

6004. Do you advance loans by cheques to societies or do they ask for cash ?—We give cash to societies. Cotton sale societies draw cheques.

6005. Is it not a fact that ordinary primary societies take money all at once ?—Yes. Now they have learnt to take money by instalments.

6006. If they take money by lump, a part of the amount will surely be badly utilized ?—Yes.

6007. Do you not encourage credit societies also to give loans by cheques to their members ?—Illiteracy is a great stumbling block.

6008. *Professor Kale* : Is it your idea that the general rate of interest charged to cultivators by various financing agencies should be lowered ?—Yes.

6009. You cite the example of France and I believe you refer to the system there in which the Bank of France is required by its charter to place at the disposal of

agricultural societies large sums of money at a very low rate of interest or free of interest. Is this what you have in mind?—I have no such idea of such a provision in the charter. I referred to the article by Mr. Rothfeld where it is stated that Government place a large sum of money at the disposal of the Bank free of interest. This is the arrangement. I do not know whether such a provision is in the charter.

6010. You state that the Imperial Bank should lend money at a lower rate of interest because 5 crores of land revenue of the presidency is lying with them without interest?—In Ahmedabad I understand the Imperial Bank allows interest on current deposits to certain depositors with them provided they maintain a certain limit. Whether this information is correct or not I am still of opinion that when they use such a large sum of money from land revenue they should either by one provision in their charter or by an agreement or when it is renewed be asked, where there are no facilities, to give interest on current account.

6011. But this is not necessarily to be allowed in consequence of your idea that 5 crores of land revenue is lying with the Imperial Bank?—I mean it is a fair and moral justification for my demand.

6012. Apart from this, you contend that agriculture is one of our most important industries, and it is necessary that Government should help it, and you want their help on this account. But is it accurate to say that because the land revenue is lying with the Imperial Bank, probably without interest, the Imperial Bank should give this facility? I am not sure if your statement is accurate. Therefore I was asking you this question?—I am not an economist. I am only putting the facts to you as a layman.

6013. I appreciate your general ground. You state that it is the duty of the Government to make provision for lowering the rate of interest to agriculturists?—Yes.

6014. And you hold this view because you think that at a higher rate of interest agriculture will be unproductive?—There is no other chance for his agriculture having regard to the load of his indebtedness. It is not possible for him to pay this interest, to bear the current charges of his agriculture and to maintain his family.

6015. So you think that our banking organization, however it may be constituted, must be such that the rate of interest for a cultivator must be low?—Yes.

6016. With regard to your proposal that an individual landowner should be allowed to take a loan from a district bank, do you put him on the same basis as a man from the city who would take a loan from your district bank?—No.

6017. Are you not now allowed to lend to an individual in the city?—No. The urban bank is allowed to lend money. If the operations of an urban bank are confined only to an urban area both as regards individuals and societies, I think the same reasoning can apply with regard to central banks advancing money both to individuals and to societies in rural areas, of course with sufficient security.

6018. But do you not think that this will conflict with the principle of co-operation when a man from a village goes to a district bank over the head of a co-operative society existing in his village?—No. He borrows from the co-operative society and when he wants more than he can borrow from the society he takes money from the bank, on sufficient security.

6019. Do you think it desirable that in a particular village where there is a society the members should go to a district bank and borrow money?—If you really desire that our finance should reach the bulk of the population so that agriculture may be done

on a proper basis, there is no other way of doing it except in this way. And because of societies' unlimited liabilities most of the persons who are well-to-do will not take the responsibility of an unlimited liability unless you form a society of men of their own common economic needs. There is no common economic need between a big landholder and the men who are now in an agricultural society.

6020. You think that either they should be provided in this way or some other provision should be made?—Yes. Either they should have societies of men of their own common economic needs or they should be allowed to be financed by district banks.

6021. You have compared the indebtedness of members of co-operative societies in 1915 and in 1928?—I took the figures after the war and the latest figures available.

6022. You say that in 1915 the average debt of a member was Rs. 67·25 and it has gone up to 103·4 in 1928. Could it not be due to the fact that the prices have risen?—I do not think so. In the first place I am not sure whether the prices have increased in that proportion.

6023. I may tell you that compared with the pre-war figures the figures to-day are about 140 to 145 as against 100. In that case the proportion will be very near the same. So your figures correspond practically to these figures?—Yes. But in that case the proportion of indebtedness must rise from 1915 to 1928 in that portion.

6024. Naturally, when the purchasing power of money has gone down, more money will be required?—That is true, but then a similar proportion will be maintained all throughout.

6025. I was suggesting to you that the increase in the indebtedness in 1928 would largely be due to the fact of prices of having gone high?—In 1915 the indebtedness was 67·25; in 1918 it went down to 53·13; in 1925 it went up to 67·9; and in 1928 it went up to 103·4. So the proportion of the increase of price has not been kept.

6026. The point is that this indebtedness of 103·4 would be due to other causes also?—(Of course. My figures are only a rough calculation.

6027. *Mr. V. L. Mehta*: Before this practice of lending direct to individuals in the district was discontinued, did you have very large dealings with individual landholders in the earlier days of your bank?—I would not be able to tell you this.

6028. I should like to know what is your experience?—I have no recollection about it.

6029. Have you heard of business conducted on these lines in any other district?—No. I have heard of Nagar district.

6030. What is their experience?—Surat has never been a famine district and Nagar has always been a famine district.

6031. You suggest that a part of the field of long-term credit should be explored by the central bank and then a land mortgage bank may be started, but do you favour the starting of a land mortgage bank?—It can be done side by side.

6032. Will there not be a conflict of interest?—No. If the security offered is a good one there will be no conflict of interest.

6033. Then you suggest that the rate of interest on advances made by a land mortgage bank should not exceed 4½ per cent. and one of the arguments seems to be that

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a certain number of people at present borrow at six per cent. Is the number considerable?—Good landholders do get money at six per cent.

6034. Do they pile up heavy debts?—Yes, because of their social customs and other things.

6035. You do not think that a land mortgage bank which advances money at more than $4\frac{1}{2}$ per cent. has much chance of success so far as indebtedness is concerned. I mean he has to meet all expenses of cultivation, his family expenses and interest, etc.?—What is the amount of acreage of holding he will have? How is he to meet all these expenses?

6036. *The Chairman*: What would happen if there is no land mortgage bank?—There will be starvation.

6037. Would you keep a land mortgage bank open to all holders—big and small?—Yes.

6038. *Professor Kale*: In the case of small holders they will not be able to repay their loans, and at the same time carry on their agriculture?—The instalments must be spread over a large number of years.

6039. *Mr. V. L. Mehta*: Along with the rate of interest you would have payments spread over a very large number of instalments?—Yes.

6040. What do you think should be the usual term of repayment for ordinary debts for land improvement, etc.?—It should be not less than ten years.

6041. *The Chairman*: And for debt redemption?—It depends upon one's holding. In some cases it may have to go up to twenty years.

6042. *Professor Kale*: Do you not think that in the scheme you propose it will be necessary to make the holding impartible, otherwise in the course of twenty years anything may happen to the landholder and our ultimate object will not be gained?—Yes; I mean the holding must be maintained.

6043. *Mr. Kamat*: For all these long-term loans you say that ten years would be the least period for fixing instalments and in the case of debt redemption twenty years would be the period for fixing instalments?—Yes.

6044. How does this fit in with your idea that district banks should be allowed to take deposits for short-terms and lend out money for long-terms? Would you get deposits for ten years and twenty years?—We may be able to extend our share capital. Now we have restricted our share capital.

6045. In the case of indebtedness, which you say is increasing, is the bulk of the borrowing coming from the village money-lender in the district, or is it from the town *shroff*?—From the village money-lender.

6046. So the problem is to reform the village petty money-lender?—Yes.

6047. Does 90 per cent. of the bulk come from him?—I would not say so much, but it would be about 70 per cent.

6048. In any case, the point is this: As the village money-lender advances both cash and other necessaries of life, will you compel him to have two sets of books, one for cash transactions and the other for other things?—If the account books are kept in *pucca* bound books and are registered, I do not think there is any chance of his interpollating new pages as we now find. Ordinarily he maintains only a *khata*, and he can replace

one page. If the pages of the account book are initialled and stamped by some responsible officer and if there is a *pucca* bound book, there is no difficulty at all.

6049. In the case of this subsidiary occupation, is it merely the difficulty of finance, or is it the difficulty of inducing the agriculturist to concentrate his mind and to train him for carrying on the subsidiary occupation, as every one, as you know, is not fit for basket-making nor is he fit for rope-making?—There are persons who do this business, but there are no facilities for marketing. They should be organised, and facilities for marketing should be provided.

6050. But is there the skill, latent or otherwise, which could be developed at all, or do you suggest that some Government agency or co-operative agency should train the villagers?—I want to develop those industries wherever they now exist and are dying out because of want of facilities. There are people who can conduct these subsidiary industries, their families have been doing, but some of them have ceased to do that because they have no facilities for marketing.

6051. They have ceased to do it probably because their methods are crude and cannot stand competition. If their methods are improved, do you think they might be able to compete with machine goods? Take, for example, the *chamar*. He prepares the hide in a crude way, but if the Director of Industries trains these people to do the tanning in an improved manner, it might make them stand on their legs. Would you not insist on that?—I would insist on that, and I would insist upon Government putting more money at the disposal of the Director of Industries, because he can make large schemes, but he cannot do much without money.

6052. Are you in favour of extending the postal savings banks to every village?—Yes.

6053. Do you not fear that they would drain away the local money?—I want that money to be utilised again for the benefit of the local people.

6054. It has been contended that the result of it would be that the money would be drained away from the district to the headquarters. Do you not fear that would be the result of your proposal?—I think there is very little money with the people.

6055. *Mr. Buckley*: In your statement, you say that you are not aware of any very keen competition between the co-operative banks and the joint stock banks in the Surat district. Do you include *hundi* business in that?—Yes.

6056. *The Chairman*: Have you met with no difficulties in doing *hundi* business?—We are not doing *hundi* business on a very large scale.

6057. Is there any tendency to object to your doing *hundi* business?—I am not aware of that.

6058. *Mr. Buckley*: In your statement, you say that the Imperial Bank considers the indigenous bankers as its rivals. Is it your experience, or is it merely a general impression?—I know as a matter of fact that there are only two banks here, *viz.*, the branch of the Baroda Bank and the Co-operative Bank, and so far as facilities are concerned, very little facilities are given by the Imperial Bank to these two banks.

6059. And from that want of facilities you produce the larger statement that the Imperial Bank wants to see these banks wiped out of existence?—The co-ordination, which should exist between the two institutions, is lacking.

Mr. C. M. Gandhi.

6060. In the last paragraph of your statement, you say : " But the hopes that were entertained in the beginning that these branches will be the centres of training up competent Indians for banking purposes have not been fully realised." How did you arrive at that conclusion ?—From actual experience, I see that the Indians, who are in the responsible positions in the Imperial Bank, are not increased.

6061. *Mr. Desai* : Mr. Gandhi, you have stated in your statement many reasons to oust the village *sowcar*. I want to know whether it is on sentimental grounds or on practical grounds ?—From my experience I have seen how the *sowcars* play tricks with the poor agriculturists.

6062. Will you give me any authorities or statistics ?—If you will give me time, I will produce briefs after briefs to substantiate that statement. At present I am fighting a case in which a man has lost about 60 acres of land within seven years and is now on the brink of ruin.

6063. That is a solitary case. Could you give general statistics ?—I can quote chapter and verse. They charge from 12 to 24 per cent. interest, and the money has to be repaid within two or three months.

6064. On page 57 of the report of the Indian Central Cotton Committee the figures of the rates of interest charged are given. Below the rate $9\frac{1}{2}$ per cent. is 65 per cent. of the amounts advanced and between $9\frac{1}{2}$ and 12 per cent. is only 29 per cent., and 12 to $18\frac{1}{2}$ is only 2·3 per cent. From this I can see that you may be stating solitary exceptions ?—I am not a party to the report. I am speaking from experience as a lawyer extending over so many years, and I can produce briefs.

6065. *Professor Kale* : Is it your experience that these figures may be nominal, and that something additional is taken by the *sowcar* ?—The money-lender charges for *vata* or purse-loosening at the time of advancing money, and the accounts are adjusted sometimes at the end of three months or six months or a year.

6066. *Mr. Desai* : Could you tell me what is the percentage of expenses of your Bank in relation to the capital invested ?—The subscribed share capital is Rs. 1,89,160 at the end of 1928-29, and the expenditure is Rs. 20,000, which works out at about one per cent. in relation to the working capital. The reserve fund is about Rs. 34,000.

6067. What rate of interest do you charge to agriculturists ?—We lend to the society at 7 per cent. and not to individuals, and we charge $7\frac{1}{2}$ per cent. to some societies.

6068. What rate of interest societies charge to members ?—9 to $9\frac{1}{2}$ per cent.

6069. On practical grounds, how are the farmers benefited by co-operative societies ?—The societies will not allow them to go more and more into indebtedness as *sowcars* do ; we insist on regular payments to be made.

6070. What is the net return to *sowcars* ?—Apparently they charge from 12 to 24 per cent., but the net return would depend on the manner in which they adjust their accounts.

6071. The Indian Central Cotton Committee in their report say that in the Middle Gujarat the rate of interest varies from 9 to 12 per cent., and very often it is the lower rate, which is also the rate charged by co-operative societies. How would you reconcile your views with this statement ?—From my experience I can say that the rate actually charged by *sowcars* is very much more than what appears on the paper.

(The witness withdrew.)

Rao Bahadur BHIMBHAI RANCHHODJI NAIK, Member, Legislative Council (Surat District), President, District Local Board, Surat, and Member, Indian Central Cotton Committee.

Replies to the Questionnaire.

SECTION I.

QUESTION I—AGRICULTURAL CREDIT AND CREDIT FACILITIES FOR SMALL INDUSTRIES.—(a) By borrowing from money-lenders and also from well-to-do agriculturists on interest. In some cases money is borrowed from co-operative banks and co-operative credit societies for this purpose.

(b) The same as (a).

(c) The same as (a). In some cases they borrow money from Government as *taccavi* loans, especially when there is famine or failure of crops or want of rains.

The rate of interest in the Surat district ranges from 6 to 18 per cent. ; but the average would be between 9 and 12 per cent.

The period for repayment of the money borrowed for cultivation expenses is short, *i.e.*, till the harvest season, while for (b) no time limit is fixed, but generally they are long-term loans. As regards (c) they are short-term loans supposed to be payable within three years.

NATURE OF THE SECURITIES.—Personal credit, personal securities of others, mortgage of lands, houses and ornaments and in some cases mortgage of standing crops too.

Conditions are also laid down in some cases that in case the borrowers fail to repay the loans within the prescribed period, they have to pay something more by way of commission (commonly called *vatae*) or the increased rate of interest.

The condition of loans generally made by the money-lenders is "payable on demand" and the money-lenders are thus in a position to foreclose the mortgage bonds by taking possession of the properties mortgaged, if and when they so desire; but in practice the loans borrowed from money-lenders are not repaid for years. There is a system of instalment with the co-operative credit societies for long-term loans.

The part played by Government in agricultural finance through the Imperial Bank of India and the joint stock banks is, to my knowledge, quite insignificant.

It is money-lenders, co-operative banks, merchants and dealers (the latter to some extent) that finance agriculture; but the major share of business goes to money-lenders. It is also the practice in this district to borrow money from amongst agriculturists themselves who can make savings.

AN ESTIMATE OF THE TOTAL CAPITAL REQUIRED FOR VARIOUS PURPOSES.—It is difficult to ascertain the amount of capital for the various purposes in my district, but at least a little over a crore of rupees will be required during the season for cultivation purposes at the most moderate calculation of the expense of cultivation, taking Rs. 15 per acre, the land being 7 to 8 lakhs of acres in the district. The land revenue of the district is almost 27 lakhs and at least half the revenue requires to be paid before the products are disposed of. For other purposes it is very difficult to estimate correctly.

The above requirements are entirely meant for agriculturists. I do not include in them the requirements of other classes—traders and industrialists.

Mr. B. R. Naik.

There are no doubt defects in the present system of money-lending and the reasons for them are many, *viz.* (i) illiteracy among agriculturists, (ii) their apathy towards keeping regular accounts of agricultural operations, (iii) lack of other sources of borrowing money except the professional money-lenders, (iv) the practice of making repayments in the form of agricultural products which are not generally valued at the market price, and (v) not getting money at the time when it is badly required for agricultural operations.

The present defects can be remedied by removing illiteracy amongst the agriculturists and by providing money-lending facilities at a cheap rate of interest on reasonable terms. The agricultural income after deducting its expenses is so small that the agriculturists can hardly make both ends meet and they are, therefore, unable to pay high rate of interest.

The co-operative credit facilities should be extended and the land mortgage or agricultural banks opened for long-term loans at cheaper rates of interest for redeeming the present heavy debts.

I do not find much co-ordination in my district between credit agencies. The principal credit agencies are the Imperial Bank of India, the Bank of Baroda and the Surat District Co-operative Bank; but there is hardly any co-ordination among them. There is, however, some co-ordination among the indigenous bankers and money-lenders.

QUESTION 2.—At present there is no organised system of marketing the produce of agriculture. The old system is still continuing. The agriculturists of the advanced classes, located near the cities and towns of the district, carry their produce to such cities and towns in their own carts and the produce is sold through brokers at the price of the day. Some of the agriculturists sell their produce in their own villages to merchants and traders who send out their agents to make such purchases. The produce of the most backward and *kaliparaj* people generally goes into the hands of their village money-lenders and is disposed of by them. This state of things is not at all in the interests of the agriculturists. In the first instance the brokers or the middlemen, shrewd and some of them unscrupulous as they are, generally do not allow the real prices to go into the hands of agriculturists who are generally ignorant and are not aware of the ruling prices. Moreover even if these middlemen are honest and straightforward, they do not exist for the sake of charity. If a system, therefore, be devised to do away with these middlemen as far as practicable, it would go a great way in the interests of agriculturists.

The relation between the backward class agriculturists and the village money-lenders in connection with disposing of the crops are in no way better but worse than those existing between advanced class agriculturists and brokers and middlemen, since they (money-lenders) deal with such agriculturists in several ways. They generally advance money, seeds, food-grains, bullocks, buffaloes, etc., to ignorant agriculturists for agricultural operations, and when the harvest is ready, they go round from house to house and village to village to collect crops in return of money, seeds, food-grains, etc., supplied by them. I would not find fault with their so doing; because if they do not remain on alert or watch, they might not get anything in return for what they had advanced.

The terms of repayment are invariably very hard. The poor agriculturists are required to pay one and a quarter, one and a half, and in some cases two times the seeds, food-grains, etc., supplied to them. They fix the prices of crops at a low rate and thus they are more or less doing the business of money-lenders as well as traders. Even the principal cotton crop of the district belonging to such backward agriculturists goes into the

hands of money-lenders for disposal. The main cause of such a state of affairs is the illiteracy and the ignorance of the backward classes, and the lack of facilities for credits other than the money-lenders. It is to some extent responsible for the passing of so many acres of lands, belonging to backward classes, into the hands of money-lenders, and turning so many small agriculturists into mere landless labourers. I am, however, not unmindful of the fact that the habit of intoxication, so deeply rooted among such classes, is also to a certain extent responsible for their present miserable condition. In the most backward tracts, the fairs, commonly known as *hats*, held at different centres on different days of the week, also play an important part in marketing. In these *hats* small traders and merchants flock together to purchase agricultural produce and sell articles of necessity for the backward and *kaliparaj* agriculturists and labourers. These petty merchants regularly dealing in *hats* make double profit, viz., they purchase articles from agriculturists at a low rate and sell them their own at very high rates. The poor illiterate and ignorant agriculturists, being unaware of the real prices, are actually made to suffer in both the transactions by *hatwalas*.

As regards marketing the principal crop of the district (cotton), where there are co-operative cotton sale societies, they generally make a pool of the produce, get their cotton ginned at a particular ginners and the lint is then sold either at Surat or at Navsari. The agriculturists who are not the members of the co-operative sale societies, enter into contract in their own villages with the brokers of the ginning factories, owners and merchants who are dealing in cotton. When the crop is ready, the *kapas* is carted to the ginners by the agriculturists themselves. Some of the ginners and merchants no doubt take advantage of the position and when the cotton is carted to the ginners, the agriculturists are, under one excuse or the other, not paid the full value in spite of the contracts made. Either deductions are made in weights or other excuses such as the inferior quality, dampness, etc., are brought forth.

The question of marketing the produce of agriculturists is no doubt a very important one and though the Cotton Market Bill is passed, the advantage has not been taken by the agriculturists. It is also a question whether people will readily take advantage of the cotton markets. But I am in favour of forming pools on co-operative basis for selling cotton and other crops also. If farmers' co-operative stores are established in the interior at different convenient centres with ginning factories, oil, rice, and flour mills, etc., wherever possible, and warehouses are maintained by such stores, the crops of agriculturists can be stocked and sold at the opportune time to get better rates. If this be done, it would be a step forward. I suggest to store not only the crops of agriculturists but also all the articles of requirements of agriculturists and supply them.

Now as regards the finance for such stores or warehouses, I would suggest that they should be run by the co-operative or mortgage or agricultural banks on their own accounts, or by raising capitals by way of shares, deposits and Government bonds. The members of such stores will no doubt require some advances before the crops are stocked and sold. Such advances can be made by borrowing from co-operative or mortgage or agricultural banks on the hypothecation of crops stocked by such stores; and if the stores are run by co-operative or mortgage or agricultural banks, there would be no question of advance as the banks themselves will advance on behalf of the stores. As regards the organisation and management of such stores, I would suggest that Government should make provision for the training of necessary persons.

Mr. B. R. Naik.

At present the facilities existing for financing the products during marketing are :—

(a) Loans are advanced by money-lenders, (b) by merchants and traders dealing in various kinds of crops and indigenous bankers, (c) by co-operative banks to the cotton sale societies and other sale societies, if any, (d) by the Imperial Bank of India and the Bank of Baroda in some cases to cotton merchants during the cotton season.

As regards the credit facilities required, I have stated my views in the preceding paragraph that some pools on co-operative lines should be formed and money advanced to individual members.

During the process of marketing the bankers are not playing any important part except that the District Co-operative Bank advance money to co-operative sale societies as required by them and occasionally the Imperial Bank of India make advances to merchants during the cotton season on the hypothecation of cotton. Some of the indigenous bankers and merchants also finance the cotton dealers during the season. I may mention here that except the cotton sale societies where they exist, the other agriculturists do not get their money in some cases for the *kapas* sold to merchants and ginowners for a pretty long time, say for one or sometimes two months. These agriculturists cart their *kapas* to the various ginneries in terms of *kabala* (contract) made with the brokers of the buyers; but after the delivery of the *kapas*, they have to wait for the payment of money for one or two months. From my personal knowledge, I can say that such a long delay in payment is really a great hardship to the poor agriculturists. Not only this, but the agriculturists do not get even receipts for the cotton delivered at the ginneries. The delay in payment is caused for two reasons—either the ginowners and merchants are not in a position to pay the agriculturists promptly against the delivery of the *kapas* or they intentionally delay payments in order to save interest. Whatever may be the reason, the fact is that the agriculturists have not only to undergo hardship and lose interest, but have also to pay sometimes heavy interest if they want money immediately.

For internal remittance, the existing facilities are the cheques, *hundis*, drafts and *havalas* (chit) in the towns and cities where there are banks and bankers; but in villages where there are no societies or banks and bankers, cash payments are made. The *hundis* emanating from this locality can be discounted by local bankers; but sometimes the payees have to wait for the payments till the advice is received for the acceptance by the drawee.

QUESTION 3.—The values of land in different parts of the district for different kinds of soil vary from Rs. 25 per acre to Rs. 500 for the *jirayat* land and from Rs. 200 to Rs. 1,000 for *bagayat* and *kyari* lands. The factors affecting the value of land are (i) the demand and supply, (ii) the credit facilities of different localities, (iii) the foreign money received, and (iv) marketing facilities and location of land. *Inami* lands will always fetch higher prices than ordinary ones both on the grounds of sentiments and that they have not to pay ordinary land revenue.

The value of land on Government auction for non-payment of revenue cannot be accurately ascertained as such instances are rare in this district. The value of land in the event of sale by court decrees is somewhat lower than that of the land purchased by private negotiations.

QUESTION 4.—There is no legal impediment to mortgage of land and agricultural holdings in this district.

There are no land mortgage or agricultural banks in this district. There are only the District Co-operative Bank and the People's Co-operative Bank ; but these banks are restricted from giving long-term loans beyond the aggregate amount of Rs. 75,000 to Rs. 1,00,000 to individual members and that too under certain conditions.

THE METHOD OF LENDING BY THE DISTRICT CO-OPERATIVE BANK.—For the amount up to Rs. 2,000, two sureties are required to be furnished. The amount exceeding Rs. 2,000 up to Rs. 5,000 and above can be had on the security of landed property, the amount of loans being limited to $\frac{1}{3}$ of the value of the property.

CAPITAL RAISING.—The share capital and the deposits from the people are the only sources of capitals for the co-operative credit banks.

MEASURES.—Land mortgage banks or agricultural banks should, in my opinion, be instituted to advance long-term loans—

- (a) improvements in the Records of Rights and the titles of ownership,
- (b) simplification in the process of the foreclosure,
- (c) reduction of the cost of reference in the Records of Rights, etc.

These measures are capable of improvement in order to simplify the processes and reduce the burden of cost on the constituents of the bank. I understand co-operative banks and societies have already been given such facilities.

CAPITAL RAISING, RATE OF INTEREST, ETC., FOR MORTGAGE BANKS.—The working capital for mortgage banks should largely be derived from debenture bonds carrying Government guarantee both for interest and capital, deposits and funds from central banks and insurance companies about which I am dealing separately in my replies on question No. I of part III. The rate of interest to be paid under the three heads should be $4\frac{1}{2}$ per cent. The rates of interest for lending out money to an agriculturist should not exceed $4\frac{1}{2}$ per cent. to 5 per cent. and the deficit in working expenses should be met from Government subsidy. In my opinion the agriculturists have a right to claim some subsidy from Government for their amelioration in view of the exchange policy of Government which changed the rate from 1s. 4d. to 1s. 6d. which put them to a loss of 12 per cent. in disposing of their produce. I am not going to burden the Committee with the details about various kinds of crops which are exported from the district ; but if the staple crop of cotton which is estimated at 90,000 bales by the Agricultural Department, is taken into consideration, the loss to the agriculturists will amount to lakhs annually. It has been admitted that the peasantry is heavily indebted and that it is necessary that existing debts should be redeemed by making adequate provision for long-term credit against the securities of land, etc., at reasonable rate, which, in my opinion, should not exceed $4\frac{1}{2}$ per cent. to 5 per cent. per annum.

Government funds collected from the *ryots* are at present deposited without interest with the Imperial Bank of India, which is really a loss to the general taxpayers. Some of these funds should be lent to the mortgage banks, say at three per cent. interest. The deposits of post office savings banks received at three per cent. by Government can also be made available for this purpose. This will go a great way to redeem the existing debts of the agriculturists and they can be made to start with a clean slate. I would say that if an agriculturist has a liability more than his assets, his *sowcar* should be paid in proportion to his assets. Moreover, if Government were to lose something in advancing money to the mortgage or co-operative banks for the redemption of existing debts of the agriculturist and also for his agricultural operations, the result eventually will be that

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the agriculturist will be free from the clutches of *sowcars* and will be better off. His producing and purchasing powers will ultimately increase and it will benefit Government by an indirect way of taxation. So the loss, likely to be sustained by Government in the beginning, will be compensated later on. It is my conviction that unless the problem of redeeming existing debts is satisfactorily solved, no permanent good will be done to the agriculturists. It would be difficult for the agricultural industry of the Presidency to pay interest more than $4\frac{1}{2}$ to 5 per cent. I can understand the view that while other industries pay interest on their capital from 6 to 9 per cent., agriculturists cannot expect to get money at such a low rate as $4\frac{1}{2}$ per cent. As against this argument I would say that 70 per cent. of the population of the Presidency depend on agriculture, and to save them from being ruined and to safeguard a large revenue of about $5\frac{1}{2}$ crores of the presidency, some means should be devised by the State to lend cheap and long-term loans to agriculturists. There is another consideration which should also weigh in giving facilities of cheap credits and it is this that the agriculturists pay to the State very heavy direct taxes as compared with those paid by other industries.

QUESTION 5.—Yes, I have got an estimate of indebtedness of every village in Bardoli and Chorasi *talukas* of my district (the figures were supplied to Government and to the Bardoli Land Revenue Enquiry Committee). It is nearly a crore of rupees for 137 villages of Bardoli and Valod and about 55 lakhs for 76 villages of Chorasi. The Pardi *taluka* which is the poorest in the district, is indebted to the extent of about 50 lakhs. The accuracy can be had by going from village to village and obtaining figures from agriculturists themselves, though it is sometimes difficult to get accurate figures. It is very difficult to distinguish between various kinds of debts without thorough and exhaustive enquiries. It is equally difficult to find out purposes for which debts are incurred by agriculturists unless minute and detailed enquiries are instituted. But as far as I know the debts are generally incurred for carrying out agricultural operations, paying Government revenue and maintaining themselves if there be insufficient profits of agriculture and also for customary social expenses, the purchase of land and erection of houses.

The debts are largely due to professional money-lenders and to some extent to co-operative credit societies and to some well-to-do agriculturists. The rate of interest charged is from 6 to 18 per cent. Compound interest is calculated.

Here I may mention that there is a practice in vogue among most of the professional money-lenders in this district, and I believe in other districts also, of deducting 3 to 5 per cent. discount commonly known as *vataw* from the loans advanced by them. It is also found in some instances that the professional money-lenders while advancing loans fix the period for repayment, and if the borrowers fail to repay within the fixed period, they make up fresh accounts by adding the amount of discount *vataw* again at the rate of 3 to 5 per cent. and in some cases more, over and above the discount they had received at the time of actually advancing the original loans. This procedure is repeated even in future at each new calculation which is made every one, two or three years, according to practice in vogue. The rates of interest mentioned above are generally for agriculturists; but for some of the labouring classes and *kaliparaj* agriculturists, the rates will go up from 18 to 50 per cent. These rates are known as *kabuli vyaj*. As for the method of calculating interest, I may say that some money-lenders will not even fail to adopt false and dishonest calculation and the illiterate and ignorant agriculturists are entirely at their mercy. As for enforcing the repayments of loans, some money-lenders receive crops in their possession when they are ready, some have to take shelter of law and some drag on multiplying the amounts of loans.

I have stated in my replies to question 2 that some efficient farmers have been turned into tenants for a period or tenants-at-will through the process of enforcement or foreclosure of existing debts and thus landed properties have passed into the hands of money-lenders. In this connection, I might say that the creditors are not willing to take lands in their possession; but when they find that debts are not otherwise recoverable, they would prefer to foreclose the transactions by taking the landed properties in possession invariably with the consent of debtors. In some cases where the creditors do not get even the interest and when the debtors are not agreeable to settle by mutual consent, they have to enforce legally the possession of landed property. I am describing the conditions of my own district, *viz.*, Surat, which is not generally liable to famine.

It is quite natural that with the passing away of lands into the hands of money-lenders, the incentive to produce more in an efficient manner goes away. The agricultural industry is not at all a paying concern and when the agriculturists know that they are indebted heavily and would be required to part with their lands sooner or later to repay the loans, they would not exert as much and try to improve them.

Apart from the question of indebtedness, no business would give any incentive when it is run in loss. The heavy land revenue, rising labour charges, the adverse exchange and currency policy of the Government and other increased expenditure would practically leave nothing or very little for them even to live from hand to mouth. In fact the present day agriculturists are nothing more than hewers of wood and drawers of water. It must not be forgotten that with the progress of civilization and with the introduction of new amenities of life in the country, the standard of living even of an agricultural life has much risen without any corresponding increase in sources of income. This is also one of the causes for taking away the incentive from the farmers for producing more in an efficient manner. I know that social customary expenditure and the expenses of litigation have also played some part in bringing about such miserable condition of the agriculturists. The remedy lies in increasing the yield and that can only be done by improving the land which requires cheap and easy credit facilities.

QUESTION 6.—There are at present in my district a number of subsidiary industries allied or supplemental to agriculture, *viz.*, rice, flour and oil milling, dairy farming, making garden produce, cotton ginning, hand-spinning, weaving, tape and rope and broom making, bamboo matting, basket weaving, poultry rearing, etc. But I do not think they are run on a wide scale and in an organised form. To my knowledge rice and flour milling has been recently introduced mostly at places where rice is grown in appreciable quantities; but I am not prepared to say that the industry of rice milling, as it at present exists, is conducted by the growers themselves. It has been taken up by some well-to-do cultivators and other traders, and it does not serve the purpose of supplementing the income of growers; but by the establishment of such rice milling, some marketing facilities have been provided to the growers for their rice crop. *Gur* making is not an industry by itself; but it is an allied process of sugar cultivation which is being done by these farmers who grow sugarcane. Garden making is also resorted to by those cultivators who have suitable lands for garden crops with watering facilities. Recently some of the garden makers have taken up to rear best kinds of fruit trees, and are doing grafting business side by side. Such garden making in the beginning is a costly concern, though it ultimately does pay in the long run, and in the district like Surat where the holding per head is so small, this sort of intensive cultivation, *viz.*, growing vegetable and fruits, should be encouraged. There again comes the question of cheap financing facilities.

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The co-operative banks and societies in this direction can to a great deal help agriculturists by advancing loans at cheap rates whenever required. Government should also try to improve irrigation facilities wherever possible. Practically most of the agriculturists in this district maintain buffaloes and cows and make dairy farming individually in order to supplement their income; but looking to the conditions in which they are maintained, it is doubtful whether it is really a source of income as there is not sufficient pasture land in this district and there is also found unnecessary wastage in maintaining unproductive milch cattle.

Cotton ginneries in this district do exist; but they are mostly run by the traders except those run by the co-operative societies.

Poultry rearing is done only by the backward and *kaliparaj* agriculturists as well as labourers.

Hand-spinning has been recently revived and found to be taken up by some individuals here and there.

Bamboo matting, basket weaving, and broom making are industries done on a negligible scale not necessarily by agriculturists. They are generally run by the most backward class people.

These industries can be encouraged by forming co-operative societies and financing them according to their requirements. In the beginning they need to be placed on an organised and systematic footing in order to enable the agriculturists to turn out the best produce and arrangements should also be made on co-operative basis for the disposal of outturn at the best prices available.

Among the industries, hand spinning and weaving are the industries which can be easily taken up by all agriculturists in order to make the best use of their leisure and supplement their income. I understand, Japan has introduced hosiery making as one of the cottage industries and it is doing well there. I think that this experiment deserves to be tried in right earnest in this district also; but before it is introduced, Government should provide facilities for the efficient training required for the industries. Toy-making also deserves to be encouraged. The females of backward class agriculturists remain no doubt busy in doing household or field work; but those of the advanced class agriculturists are practically doing no field work. Some of them in their leisure time do some other work such as sewing, knitting, embroidery and hosiery work, but on a very small scale. The Government should open adult classes for grown up girls and women to receive professional training in sewing, knitting, etc. If the women are thus trained up, they would naturally take up the above-mentioned industries on a large scale to supplement the income of agriculturists.

QUESTION 6A.—There are some industries such as cotton and silk cloth weaving, silver and gold thread weaving, sandalwood and ivory engraving, tinsel making, etc., done in the Surat city for several years past on a large scale. Even at present these industries are doing fairly well in the city; but the weaver classes are financially not in good condition, and these industries are not, therefore, thriving as much as they ought to. All these industries are owned almost by merchants; but they are practically carried on by expert artisans, weavers and craftsmen who are employed by them on monthly or daily wages or piece work contract. The result is that the major part of the profit goes into the pockets of owners and the poor artisans and weavers have to be satisfied with labour charges. Moreover, these artisans and weavers, poor as they are, have many a time to get advances from such merchants which are recovered with

high rates of interest from the wages which are generally fixed lower than ordinary rates. It may also be mentioned here that most of the artisans and weavers are illiterate and addicted to drinking. This can be remedied if illiteracy be removed from them by propaganda work and also by opening night schools and classes for adult education.

It is well known that Surat city was famous for its silk and golden thread weaving and also for sandal wood industries. A lot of articles of Surat-make were being exported to other parts of India and also to other foreign countries. Even to-day such articles are being exported to other parts of India and also to foreign countries like Mauritius, South Africa, Burma, Abyssinia, etc. If these weavers and hand-craftsmen are brought together, organised, financed and formed into co-operative associations for different industries both for sale and produce, all these industries are likely to have better scope for advancement and improvement. While these industries are found to be existing in Surat proper, they are not found in rural areas except *khaddar* weaving here and there. It is admitted on all hands that agriculturists have sufficient leisure and that in the absence of home or cottage industries, they are not in a position to supplement their income. It is, therefore, necessary that the weaving industry by hand looms should be encouraged as much as possible in the rural area. There is plenty of raw materials available; but it is the propaganda, organisation and finance which are required. In this direction Government ought to have taken an initiative; but it is regrettable that they have practically done nothing. Strong efforts should, therefore, be made to revive these industries.

QUESTION 7.—As far as I know there is not much close relation between the co-operative credit bank and other banks of the district. There is practically no competition between co-operative banks and other banks.

In my opinion the Co-operative Movement in my district has been no doubt progressing satisfactorily; but it has not succeeded in meeting the financial needs of agriculturists, small traders and industrials, nor in my opinion will it succeed in future under the present rules, regulations, bye-laws and the working system. The first principle of the credit system should be that the borrower should get credit whenever he wants and the amount he wants. Both these conditions cannot be fulfilled under the present co-operative rules. The third principal condition should be to look to the capacity of the borrower for repayments of his debts. This condition also cannot be fulfilled under the existing co-operative system; and therefore, the agriculturists prefer to go to money-lenders by paying even a higher rate of interest to them. The agriculturist gets credit whenever he wants and also the amount he wants on the condition that he should repay his debts according to his capacity provided yearly interests are regularly paid and in bad years even yearly interest is not paid; so the co-operative banks have not taken the place of village money-lenders and the latter are no doubt as yet playing a prominent part in the rural finance of the country.

Another reason why agriculturists prefer money-lenders to the co-operative banks and societies is that they have to repay their loans to co-operative banks and societies generally within a specified time and that they are under the apprehension that in case they fail to do so under the powers given by the Co-operative Societies Act, their property will be immediately taken possession of by such banks and societies. On the other hand it is not the case with an ordinary money-lender who has to take regular legal steps to recover his dues and this procedure will take considerable time. They also expect to get the advantage of the Dekkhan Agriculturists' Relief Act or of the court's favourable views.

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The margin of security in advancing loans is kept much wider by the co-operative banks or societies than that by the professional money-lenders. The rates of interest charged by the co-operative societies which are Rs. 9 annas 6 and Rs. 10 annas 15 per cent. per annum are in no way better than the money-lenders' rates ; but in some cases they are worse. This should be one of the principal causes why a large surplus is being accumulated in the District Co-operative Bank of Surat : and the funds have to be invested in activities other than co-operative. One cannot, under the circumstances, find much fault with those who assert that the co-operative societies are in no way better than the *marwari* money-lenders, and thus the object of the co-operative credit movement, namely, to help the agriculturists and other industries, cannot be said to have been achieved. The Co-operative Movement can be made capable of financing the agricultural needs if the present control of the Department is relaxed, the rules, regulations, and bye-laws are made elastic, and the rates of interest are lowered ; for instance, say an agriculturist requires Rs. 1,000 for purchasing a pair of bullocks and for some agricultural operations and if he can get only Rs. 750 from the co-operative bank or society, it will not serve his purpose, because he has again to go to money-lenders for the remaining sum of Rs. 250 which the former will refuse him. Moreover, if an agriculturist were to go to a co-operative society or bank for his borrowings and if he is indebted to a money-lender, the latter will press for the recovery of his dues and also will not be inclined to lend any further amount as the liability to the co-operative banks, according to general belief, has the first charge on his property. As far as I know, the rural co-operative societies do not advance any loans to small traders and industrialists because they are generally not the members of the society.

QUESTION 8.—Yes. The Dekkhan Agriculturists' Relief Act has done more harm than good to the agriculturists in obtaining their credit. It may be true that it might have been intended to give relief to *bona fide* and needy agriculturists ; but on the contrary, the advantage has been taken of by those who do not deserve it ; nor must it have been the intention of Legislature to give relief to such persons who really do not deserve it. Apart from this question, as I have said in my evidence before the Royal Agricultural Commission in India, and also as I have stated in one of my speeches on the amendment brought by an Honourable Member of the Bombay Legislative Council to change the definition of an agriculturist and which I repeat here that it has driven away the money-lenders from villages to towns and cities, and thus the prompt facilities of the credit to agriculturists have been curtailed. It has, moreover, taken away the long-established personal credit of an agriculturist, and this, in my opinion, is the greatest disadvantage done to an agriculturist. It is a well-known fact that Indian peasantry was considered so honest that even without a promissory note or a *khata*, he used to borrow money from his *soucar* on his word ; and such borrowed monies were repaid without any trouble or litigation. Those who are acquainted with the rural life of the country know that at the time of death of a man or a woman, the last wish expressed by him or her to heirs was that his or her debt to a particular money-lender should be paid. Not to redeem debt was considered to be a sin, and according to belief that if it was not paid during this life, it should have to be repaid in the next life. In a country where such a high standard of morality in respect of repayment of debts existed, and where without any chit, an agriculturist used to borrow money, he cannot do so to-day even against the security, and that is to a great extent due to the Dekkhan Agriculturists' Relief Act. It has taught dishonesty both to some of the money-lenders and borrowers. Before the operation of this Act, mortgages of properties, with or without possession, were passed in security for substantially bigger amounts of borrowing and the borrowers had the

opportunity to get back their properties even after sixty years. At present on account of the Dekkhan Agriculturists' Relief Act, the money-lenders get out-and-out sale deeds of properties passed in their favour against loans advanced, with a condition which is generally oral to reconvey the properties when loans are paid up, and such properties are either given to the original holders or others on rent. As a matter of fact the rents represent interest, but if the borrowers fail to repay the loans the possession of the property is being taken away by the money-lenders; and in this way instead of giving relief to the peasantry, their lands pass off into the hands of money-lenders. The principal maxim for cheap and prompt credit should be that there should be no legal restriction on it. I would, therefore, suggest a radical change in the amendment of the Dekkhan Agriculturist's Relief Act, if not its total scratching off from the statute book. If it has given some relief to *bona fide* agriculturists, it was not without incurring the cost of litigation. On account of the Dekkhan Agriculturists' Relief Act, as I have said, the personal credit of the agriculturist has gone down, and with rare exceptions, however honest an agriculturist may be, he will not be able to raise loans without executing a sale deed in favour of a *soucar*. This has also indirectly increased the liabilities of stamps and registration fees. So the relief given on one hand is taken away on the other. I know several respectable money-lenders have migrated from villages to towns and are not inclined to do any money-lending business with the agriculturists but prefer to invest their capital in some other trade. These money-lenders in villages used to serve the purpose of a bank in the rural life of the country, and unless organised credit facilities are established on a very large area, the village money-lenders will remain the essential factor in the country.

As far as I know, there is no Usurious Loans' Act except the Dekkhan Agriculturists' Relief Act in this district. I am not in favour of introducing measures which restrict the credit facilities of agriculturists. It depreciates the value of land. In my opinion such measures are bound to react in the long run to the disadvantage of the borrowers. The money-lenders, shrewd and careful as they are, will always try to devise some means to evade the provisions of such Act and the object of such measures will be defeated. I would, on the other hand, recommend the extension of cheap and easy credit facilities to the agriculturists, and if that be done, the usurious money-lenders will automatically disappear.

SECTION II.

QUESTIONS 1 AND 2.—The indigenous bankers, in whom I include the village money-lenders, generally advance money to the agriculturists and also receive deposits from them. In towns and cities they also do the *hundi* business and some of them carry on shares and stock business. Some of them are commission agents also for the purchase and sale of agricultural and industrial product. As for financing agricultural industry, I have said somewhere above that the money-lenders play an important part in financing agriculture in the rural area. I, therefore, do not want to repeat here all what I have said above; but to sum up, I would say that some of the indigenous bankers residing in cities and towns do money-lending business directly with some of the agriculturists and indirectly help the agriculturists by advancing money to village money-lenders.

QUESTION 3.—The organisation of indigenous banking in my district is primitive, *i.e.*, it is going on according to Indian customs, usages and traditions from a very long time. It is difficult to ascertain the exact capital invested, nor can the value of their business be ascertained without full and thorough inquiry. Suffice it to say that the indigenous

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banking contributes the major share of business taking all the factors into consideration. Their expenses are, no doubt, much less than that of the joint stock banks.

There is some relation existing among the indigenous bankers and banking, but they are not systematised on definite lines. Each of them is at liberty to follow his own method of business.

As far as I know, the indigenous bankers are not viewed with sympathy by the Imperial Bank of India. In the exceptional cases some indigenous bankers, residing in the city proper, might be getting some credit on sound securities and on *hundis* endorsed by substantial parties; but on the whole the facilities given to the indigenous bankers by the Imperial Bank are altogether negligible. Among the joint stock banks there is a branch of the Bank of Baroda which does the work of receiving deposits but hardly that of lending. The District Co-operative Bank, as far as I know, does not finance indigenous bankers.

QUESTION 4.—The *hundis*, *havalas* and credit notes are used to an appreciable extent among the indigenous bankers for the money transactions. The samples are all in vernacular script, the copies whereof are attached herewith. Some use cheques also.

QUESTION 5.—The indigenous bankers grant loans on personal securities and on the securities of properties.

There are no hard and fast rules about the terms of loans advanced to agriculturists, if the interest is regularly paid.

The indigenous bankers provide them with funds by their own capital and deposits, and also at times by borrowing. The rates of interest allowed by them on deposits vary from 3 to 6 per cent.

QUESTION 6.—It is not the general practice with the indigenous bankers to insist on advances being drawn in the shape of commodities purchased through them or repaid in goods through their agencies except in a very few cases.

The rates of interest the agricultural class has to pay the indigenous bankers vary from 9 to 18 per cent. plus *vata* at the time of advancing loans. I suggest that by introducing instruments and measures for providing cheap loans on easy terms, the present rates of interest charged by indigenous bankers will go down.

The reduction in the rate of interest will confer a great benefit on the agricultural community and will also increase their resources to a certain extent. But I must make it clear here that as long as provisions are not made to wipe off the existing debts, the reduction in the rate of interest for temporary loans will not confer any appreciable advantage on them. There is no question of raising the standard of living of the agriculturists. It would be too much to expect from the agricultural industry as conducted at present that even by the reduction in rates of interest, the standard of living will materially improve; but in the long run it will. In the meantime, it will help them in making both ends meet and to pay from the savings, if any, towards the payment of existing debts. This result would be no doubt beneficial to the agriculturists and the State also. These agriculturists who are out of debts will be benefited by reduction in the rate of interest as they will utilise more funds after the improvement of land.

The net return to the indigenous banks and bankers on their capital after making allowance for the legal expenses, management charges, etc., will be in my opinion 9 to 12 per cent.

QUESTION 7.—Generally speaking, there is not much prejudice against the indigenous bankers as they are indispensable in the present state of credit facilities. They are generally protected in the law; but owing to the Dekkhan Agriculturists' Relief Act they are put to sometimes necessary and very often unnecessary harassments by the courts and suits are long protracted. I can understand if such harassments are meted out to those who do not keep proper accounts as well as whose dealings are not straightforward, but very often honest money-lenders, having *bona fide* and honest transactions, are also put to this sort of troubles.

Even after getting the decrees and attaching the land they cannot sell it without the permission of the Collector, and in some cases even the Collector declines to allow auction of such lands to be held. When the money-lenders have to go to courts for the recovery of loans, they have to undergo a long and expensive process of litigation and even after they have passed through all the processes they do not sometimes get the full dues and in case of an agriculturist he gets his dues by instalments. I have no sympathy for money-lenders who are charging exorbitant rates of interest and *rata* and not keeping correct and honest accounts; but the long and expensive process of litigation and the system of instalments without considering the merits of transactions are sufficient to discourage the money-lending business. These bankers have their own principles according to which they carry on their business. As they are thoroughly acquainted with local conditions, their business is generally conducted on sound lines.

The agriculturists do not keep any accounts of their transactions with their money lenders, and when their accounts are made after a lapse of some years, it is not possible for them to know the items they had paid against their accounts. So this system is open to dishonesty. If the money-lenders were to prepare the accounts of their outstandings every 3, 6 or 12 months and supply the accounts in writing to the debtors, there would be some check on the intentional and unintentional mistakes committed in the adjustment of accounts. In some foreign countries it is customary to render accounts every month to the clients. It is true that in view of the illiteracy of the agriculturists it will take sometime before the existing defects are completely removed. I would also suggest that the *pucca* bound books with every page numbered and initialled by an officer empowered by Government, should be used by indigenous bankers dealing in money-lending with agriculturists and such books should be recognised by law courts. I know of a country where this system is in vogue. I also know that the introduction of this system will be greatly resented by the money-lenders and the facilities for credits will be greatly hampered. Such measures can only, therefore, be adopted by taking the indigenous bankers into confidence.

QUESTION 8.—The indigenous banking can be made more useful and extensive by making provisions for co-ordination of indigenous bankers with the Imperial Bank of India and other banks so that these money-lenders can get credit at cheaper rates of interest. The system of account keeping is in the vernacular of the district and some of the indigenous bankers, to my knowledge, are no doubt keeping accurate and complete accounts; but I am doubtful whether it is so in case of some of the village money-lenders who chiefly deal with the agriculturists. I think the money-lenders generally do not object to inspection and verification of accounts only by the customers concerned; but the agriculturists themselves, as far as I know, do not care to look into their accounts.

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I do not think the introduction of any measures for regulating the operations of the indigenous bankers and giving publicity will be relished by them. In the present state of the country, where the object is to devise means for facilities and for cheap credits, it would not be advisable to enforce any measures against the will of the indigenous bankers.

QUESTION 9.—The indigenous bankers are sometimes obliged to refuse accommodations either on account of the insufficiency of the working capital or the unacceptable nature of security or unacceptable terms. Some money-lenders, as I have stated above, stopped money-lending business on account of the operation of the Dekkhan Agriculturists' Relief Act and the long troublesome process of litigation.

QUESTION 10.—The indigenous banking system can be profitably linked with the local banks rather than with the central provincial banks as the financial position, the working capital, the stability and the requirements of the indigenous bankers are better known to the directors of the local banks and they can understand one another well. The competition of indigenous bankers with other banks need not be feared as there is no likelihood of such competition in near future. However, in a country like this, competition in lending money on sound basis will be an advantage to the agriculturists. Moreover, it would not be possible for many years to come to have the net work of co-operative agricultural or land mortgage banks and other joint stock banks and the necessity of the indigenous bankers is sure to be felt. If these indigenous bankers have sufficient borrowing facilities, they will be, with the local knowledge, in a better position to finance agriculture. Again, it will be some time before the agriculturists acquire confidence in joint stock and co-operative bank for depositing their savings.

QUESTION 11.—I do not think that a large amount of money in the district in the hands of indigenous bankers does not find employment; but during the slack season, I know some funds of the indigenous bankers are invested in stocks and shares and are deposited for short periods with some banks in Bombay as the local banks are not in a position to pay higher rates of interest than those of Bombay. These surplus funds during the season can be absorbed, if industries in the district are revived and expanded.

SECTION III.

QUESTION 1.—The village, town and city indigenous bankers—small and big—the Imperial Bank of India, the Bank of Baroda, the District Co-operative Bank, the urban co-operative banks and the co-operative credit societies are the banking resources existing in this district.

In addition to the banks and indigenous bankers and societies, the postal cash certificates and the post office savings banks are the means and institutions to encourage savings and investment habits.

There are no provident fund societies in the district as far as I know. The insurance companies have not as yet played any important part in the rural areas. The insurance facilities are not taken advantage of in the rural areas partly because the rural population have no regular and sufficient sources of income to pay premia and partly because they do not understand the real advantages of insurance.

Some orthodox people hold sentimental prejudices also against life assurance. To a peasantry, so poor and backward, the insurance for both human life and cattle and also the provident fund societies are no doubt a boon, and if means be devised to induce the

peasantry to take advantage of both of them, it would be a great service done to the rural public. It has often been urged that the development of agriculture and other industries is hampered for lack of funds. A survey of the annual returns of insurance companies, both Indian and non-Indian, shows that they have huge resources to meet our requirements in ample measures, inasmuch as crores of rupees are drained away every year by foreign companies in shape of premia and crores of rupees are collected by indigenous insurance companies year after year. I have said above that the land mortgage or the agricultural banks should be started for the redemption of agricultural indebtedness and also for the uplift of the rural industries. Here we find the huge resources wherefrom sufficient funds can be obtained at cheaper rates to finance such schemes, if legislation be made for insurance companies to invest the part, if not whole of their funds, in the directions suggested. We find in the United States that the insurance companies there have been playing a very prominent part in financing national industries and they have proved a great success. Many of the countries too are gradually modifying their investment tendencies.

The existence of co-operative banks and societies has given some idea of the banking habits. In the urban area, it can be said that the public have got sufficient facilities to invest their savings; but in the rural area, where there is hardly any saving, it is immaterial whether the existing facilities are improved or extended. Moreover, the interior public will get facilities for investment with the expansion of co-operative societies and insurance agencies.

Those who do not earn interest on deposits generally invest their money in loans, in Government papers and joint stock shares. They also invest their money on buildings and earn by way of rents, while in the rural area, I have said, there is hardly any saving and those agriculturists who have some savings, would prefer to invest their savings in purchasing land and ornaments and also in lending money to fellow agriculturists on interest. Some of them will also try to make some improvements on land by way of digging wells, making gardens, etc., to erect houses and meet some social needs.

The suggestion that can be made is to create land improvement trusts for housing schemes and general development of agriculture and subsidiary industries. If such schemes are undertaken, persons unwilling to earn interest on deposits might be induced to invest in them. In the urban area, as far as I know, a great deal of floating capital is invested in Government papers, shares of joint stock companies and also in industries; but the agricultural industry, which is the mainstay of the country, has not received the attention of the urban population as it deserves. The reason for it is obvious that the return from agricultural industry is much smaller than that from other investments.

It is a fallacy to say that there is a great deal of hoarded wealth in India. So far as this district is concerned, I know there is no hoarded wealth. It is, however, customary that at the time of marriage, people do go in for some gold and silver ornaments. As for the agriculturists, if they have got any saving, they have some charm for land, and in purchasing land they do not take into consideration what percentage of interest it would yield. Agriculture being the mainstay of the country, it is quite natural that they should have so much charm for land, and they also consider, rightly or wrongly, land as the safest investment. I understand that postal cash certificates have grown popular in cities and towns, and they go in for them. I do not think the rate of interest needs to be revised. In rural area the cash certificates have not gained much popularity or become attractive.

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QUESTION 2.—The savings bank accounts opened by the joint stock and co-operative credit banks afford greater facilities than those afforded by the post office savings banks and the savings banks of the Imperial Bank of India. As regards post office savings banks and the savings banks of the Imperial Bank of India, I must say that one has to undergo a very tedious and long process before he can deposit his savings or make withdrawals. Moreover, generally the transactions are carried on in English, and people not conversant with the English language find it a great hardship specially at the time of withdrawals and they, therefore, are not inclined to go to such institutions for their deposits.

The petty Government and private servants, some of the middle class men and those living on wages generally take advantage of the savings banks. Other classes can probably be attracted to the savings banks by raising the interest. I think there is something to be said regarding the alleged competition of Government with banking institutions and bankers in regard to deposits by their attractive rates on postal cash certificates and treasury bills. My personal view in the matter is that Government should not give higher rates of interest than those paid by the substantial banks. It is true that in order to maintain the exchange rates and for some other causes Government has to go to the public for raising funds at rates slightly higher than prevailing rates and thus attract large deposits in one form or the other. It is the recognised maxim of trade that if any industry is to be successfully developed, it must have the facility of cheap finance. This maxim applies with a greater force in India where its premier industry, *viz.*, agriculture, is in a ruinous condition. Moreover all other industries in the country are in the state of infancy, and for their rapid and healthy development cheap capital on easy terms is one of the essential factors. India is a country where plenty of raw material is available, and if these raw materials are utilised by starting new industries, cheap capital on easy terms will be essential. Therefore, in my opinion, the higher rates of interest paid by Government ultimately, reflect on the money market of the country and adversely affect the agricultural as well as other industries of the country.

QUESTION 3.—The existing facilities for the purchase and sale of Government securities are the branches of the Imperial Bank of India, other banking institutions and some of the brokers and indigenous bankers. As regards special facilities to be granted to small agriculturists and small investors to take up some form of Government securities, I am of opinion, as I have stated on several occasions above, that the agriculturists having had hardly any savings would not need such facilities and as such special facilities would not be of any material use in attracting capital from the rural population. As far as I know, the agriculturists, as soon as they receive monies by the sale of their produce, utilise them in clearing up their accounts with the money-lenders who advance them money on short term for agricultural operations and Government dues, and also with other petty merchants who supply them with food grains, cloth and other household goods on credit throughout the year, and then if there be any surplus, they will pay interest on their debts. This can be done in normal years, but in bad years they have always a deficit.

Thus they carry on paying the part or whole of their temporary debts and incurring new debts for new needs and requirements. It is only in a very few cases that they pay anything towards their debts incurred on long term for social and other requirements; but in most of the cases it has been found that they hardly make both ends meet. With the accumulation of interest on long-term loans and the accounts carried year after year

the indebtedness increases day by day. Those agriculturists who get foreign money, and if they have no debts, would generally go in for purchasing lands and constructing houses. But if they do not do this, they either deposit their money with their *sowcar* or lend money on interest to their fellow agriculturists.

As for artisans and industrialists, I may say that they generally pay towards their debts incurred for purchasing raw materials. As I have stated above, those farmers who have got surplus money, and these are very few in number, do lend money to their fellow agriculturists either on personal securities or on securities of landed property. The rates of interest and terms are cheaper and easier than those of professional money-lenders. The rates generally vary from 6 to 9 per cent. among the advanced class agriculturists, and in the case of backward and *kaliparaj* agriculturists they vary from 9 to 18 per cent. In a prosperous year, they purchase land and ornaments, if necessary, and construct houses or make improvements on lands.

QUESTION 4.—The cheque habit is no doubt growing steadily on account of the Co-operative Movement. The abolition of stamp duty will no doubt greatly popularise the use of cheques. The cheques are used by all classes of people who have banking accounts, and if the vernacular script is recognised and introduced for drawing cheques, it will be more popular, more particularly in rural areas where English language is not known. I am in favour of making payments to servants of Government and semi-Government institutions by cheques.

QUESTION 5.—It will be admitted that the banking and investment habit can be said to be of very slow growth and the causes are obvious. The rural population did not know till recently anything about the banking business. No attempts were made in the past either by Government or private agencies to establish banks in the rural area, in the terms of what we call banking institutions. The village money-lender is a banker there to a great extent.

With the opening of the urban co-operative banks the people have come to realise the advantage and utility of banking institutions. The urban population might have got the advantage of the branches of the Imperial Bank of India as regards inter-remittance, transmission of money and some credit ; but I cannot say that they have done any substantial advantage to the rural population, I would suggest that there should be a banking institution for a group of villages with the head office in the central town, if the advantages of the banking institutions are to be brought home to the agriculturists. The course will also to my mind encourage investment habit among agriculturists.

The people can be educated as to their investment in productive industries by the circulation of pamphlets among all classes of people.

SAMPLE OF THE HUNDI.

હુંડીનો નમુનો.

નંબર

સ્વસ્તી શ્રી મુંબઈ અંદરે મહાશુભસ્થાને પૂજ્યારાધે શ્રી પાંચ શા.

બેગ લી. સુરત અંદરેથી લી. શા.

નાં જયજીનેંદ્ર (જીહાર) વાંચશે. જત અત્રેથી રાખ્યા

પાસેથી રા.

અંકે

નીમે રૂપિયા

થી અમણા પુરાની મુદત હુંડી પહોંચ્યા તુરતની નામે

બેગ ગૃથ ઠામ ઠેકાણું બેઠ ચોકસ કરી હુંડીની રીતના મુંબઈ શરાઈ

એસોસીએશન ધારા મુજબ આ હુંડી સ્વીકારી સંવત ૧૯૮૫ના

વરખે

ને વાર

શ.

હુંડી રૂપિયા પાંચસોની અંદરના નાણાં પેઠી ઉપર ઓળખાણુ લઈ આપવામાં આવશે.

SAMPLE OF CREDIT NOTE.

ચીડીનો નમુનો.

નંબર

સુરત, તા.

શા.

બેગ લી. શા.

થી ગામ

વાલા દેસાઈ

ની ડ્રાં. બેરર (ચીડી લાવનાર) બેગ.

રા.

અંકે

અમારા ખાતે ઉધારી આપજ્ઞે.

સંવત

લી.

દા.

SAMPLE OF THE KHATA.

ખાતાનો નમુનો.

ગામ

નાં રહીશ

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લીધા તે દેવા

સહી. દા.

STAMP.

SAMPLE OF KHATA.

સામા દસ્કતના ખાતાનો નમુનો.

ગામ

નાં રહીશ

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લીધા તે તમો વ્યારે મંગો ત્યારે

અગર જેને અપાવો તેને દર માસે દર

સેંકડે આના ના વ્યાજ સાથે

આપવા સહી. દા.

STAMP.

SAMPLE OF PROMISSORY NOTES.

SURAT :

Rs.

On demand I promise to pay to Mr.
or order the sum of rupees bearing the interest at the rate
of per cent. per annum for Value received.

STAMP.

Oral Evidence.

6072. *The Chairman* : Rao Bahadur Naik, you are the President, District Local Board, Surat ?—Yes.

6073. And you are a member of the Indian Central Cotton Committee ?—Yes.

6074. You are also a big landholder ?—Yes, I have some lands.

6075. How much assessment do you pay ?—I am paying about Rs. 800.

6076. Do you cultivate these lands yourself ?—I was cultivating them before, but not now. I keep some lands for animals to graze.

6077. Do you lease your lands ?—Yes. I am also a member of the Divisional Board of Agriculture, Gujerat, and Vice-Chairman of the Surat District Co-operative Institute.

6078. Although you lease your lands to others, do you go in for land improvement schemes on your own lands ?—Yes, I go in for manuring.

6079. But not for permanent improvements ?—No.

6080. Do you not go in for improvements like levelling and bunding ?—My land has been levelled ; and there is bunding. I do the drainage.

6081. Do you think that there is scope for undertaking land improvement schemes in this district ?—Yes.

6082. In which *talukas* ?—I think in all *talukas* there is scope for undertaking land improvement schemes. Some sort of improvement can be done.

6083. But what is being done is now very little ?—Yes.

6084. Why is this so ?—I think there are financial difficulties in their way.

6085. Do not people get loans ?—No.

6086. Do they not apply for *taccavi* ?—But the terms are unsuitable for cultivators. Government profess to say that they advance *taccavi*, but they are not doing it.

6087. You are aware that the rate of interest charged on *taccavi* at present is 6½ per cent. ?—Yes.

6088. Do you think that people would take loans for land improvement at this rate ?—People would take loans at present at this rate in the absence of any other source and cheaper facility of credit.

6089. Can you suggest any other source through which loans can be had at a cheaper rate ?—The agricultural banks can give loans at a cheaper rate.

6090. Should they provide long-term loans ?—Yes.

6091. What would usually be the period of repayment of such loans ?—I would fix 40 years—an annual instalment of 2½ per cent. plus interest.

6092. Of course, the term will depend upon the nature of the improvement, is this not ?—Yes and also the amount.

6093. Would you require forty years' period for small land improvement schemes costing, say, about Rs. 500 or Rs. 1,000 ?—For any capital expenditure I would always go in for instalments of 2½ per cent. plus interest.

6094. About long-term loans, you are of opinion that very little can be done in this direction unless agriculturists redeem their debts. Supposing their debts are redeemed to-morrow and things continue as they are, are you not afraid that after about 10 years

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they would again plunge into debt ?—I do not think so in the majority of cases because there is a general awakening in all directions in the country ; and, with the redemption of debts, if social service is coming, the people will have a greater incentive to do more work and to produce more. At present they have not this incentive. They know now that if they produce more, everything will go into the hands of *soucars*. They would not do more work for the sake of others. Moreover, their property having been mortgaged with agricultural banks, they would not get credit elsewhere.

6095. That is true but there is a certain percentage of people who would show enterprise ?—Yes. But that happens even now. If I take you to a particular village, you will find from the nature of the field that the man is out of debt.

6096. Freedom from debt does produce a moral effect ?—Yes.

6097. Do you think that if they begin with a clean slate now, a majority of them would have a clean slate ten years hence ?—I think so. When you want to redeem this debt, the period of repayment must be 30 to 40 years and during that period they will not be able to incur further debt.

6098. Are you sure that during those ten years they will not plunge into greater debt ?—I am sure that they will not plunge into greater debt.

6099. Somewhere in your statement you say that they cannot even manage to pay interest and their indebtedness is increasing. How would you be able to redeem their debt, if their income is not sufficient to pay even interest every year ?—In cases which we find quite hopeless I say that even after redeeming their debt, those people are not going to come out successful. In my district at least you will find 70 per cent. of the agriculturists who, if helped, will come out successful.

6100. Are the remaining 30 per cent. insolvent ?—It may be so. My suggestion is that those who are insolvent also can be made solvent. Suppose I have got a property, my assets are Rs. 5,000 and my indebtedness is about Rs. 7,000. I never advocate that *soucars* should be paid Rs. 7,000. The *soucar* will be glad to accept Rs. 3,500 when he will find that it is hopeless for him to recover all his amounts. I think, if you will give that man also an impetus, he will come out successful after a long time.

6101. In your written evidence you say : "The rate of interest in the Surat district ranges from 6 to 18 per cent. ; but the average rate would be between 9 and 12 per cent." Are there many people who get loans at 6 per cent. ?—Good agriculturists get loans at 6 per cent. I do not think that there are many such people who get loans at 6 per cent. in proportion to the whole population.

6102. What would be the rate of interest for an average landholder having about 20 or 25 acres of land ?—The rate of interest would be 9 per cent.

6103. Would this be on personal security ?—Very few of them get on personal security. Many of them get loans on mortgage of their lands.

6104. There are a number of agriculturist money-lenders, are there not ?—Yes, there are.

6105. What rate of interest do they charge ?—The advanced class of agriculturist money-lenders charge 6 to 7½ per cent. interest.

6106. Are they more liberal than the ordinary money-lenders ?—Yes.

6107. Do they want to grab the lands ?—No. I never said that money-lenders ever wanted to grab the land.

6108. An ordinary money-lender does not want the land but he wants his money back, whereas it is said that an agriculturist money-lender wants the land?—That is not the case here.

6109. You have given us an estimate of about Rs. 15 per acre as the total expense of cultivation?—This is my calculation. From June to January Rs. 15 are required. I have given a flat rate.

6110. You have not worked out the rate for different crops?—I have calculated that.

6111. *Mr. V. L. Mehta* : Have the figures for Bardoli been accepted by the Broomfield Committee?—They have not contradicted them also.

6112. *The Chairman* : You say : “ The present defects can be remedied by removing illiteracy amongst the agriculturists and by providing money-lending facilities at a cheap rate of interest on reasonable terms.” Have you any definite suggestions to make as regards this?—My suggestion is this that for the redeeming of the existing debts the rate of interest should not exceed $4\frac{1}{2}$ to 5 per cent.

6113. How is this provision to be carried out?—You can start land mortgage banks or agricultural banks. It is for the experts to carry out the suggestion.

6114. I only wanted to know whether it should be worked out by a co-operative agency or by indigenous bankers or by Government. You want a land mortgage bank so far as debt redemption is concerned?—Yes.

6115. Who will finance their current agricultural needs?—Co-operative banks can finance them.

6116. It appears from your written evidence that for *kaliparaj* people the rate of interest on loans is higher?—Yes.

6117. What are the rates?—It goes from 18 to 50 per cent. When I say 50 per cent., very few may be borrowing at this rate.

6118. That is an extraordinary rate. Are you referring only to the interest on the loan?—The interest and other ways. The money-lenders have other ways of making profit.

6119. That would be additional?—No. This is included in this 50 per cent.

6120. You are speaking about marketing. I expect, you, as a member of the Indian Central Cotton Committee, have a considerable knowledge of cotton marketing?—Yes.

6121. How far would co-operative sale societies be able to pool their member's produce?—They are doing it well now.

6122. Do they deserve encouragement and expansion?—Yes.

6123. Are there not any warehousing facilities here?—As far as I know I do not think there are any such facilities.

6124. Is it not strange for a place like Surat that there are no warehousing facilities here?—There are no separate places. Ginning factories themselves store cotton in the open space or houses, if any.

6125. Are ginowners mostly buyers?—Yes, and also some merchants are buyers.

6126. And cotton is brought here from the village by a ginowner through some middlemen?—A *kabala* is made in the village with the brokers of the buyers and according to the terms of the *kabala* the agriculturists have to cart their cotton by their own bullock-carts to the various ginneries.

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6127. Where the quantity is small, do they not sell in villages?—The *kabala* is made in the village.

6128. Then the cotton is transported?—Yes.

6129. The agriculturists are not paid for some days?—In many instances I always find that there is a complaint from agriculturists that they are not paid for a good many days.

6130. Do they usually sell the crop in advance?—There are some people who sell cotton in advance when they are in need of money and cannot get by any other means.

6131. That is to say before the crop is ready?—Yes.

6132. Is the *kabala* not made in Surat?—No.

6133. Are rates fixed in the village?—Yes.

6134. If there is to be a cotton market here under the Cotton Markets Act, the cultivators will have to change their system. They will have to bring their cotton to the market?—Yes. But they say that they get the advantages of competition in their villages.

6135. Is there competition in villages?—To-day if a *dalal* went from Ralli Brothers and offered Rs. 205, the people would say that they do not want to sell it to-day. The next day another man goes and makes an offer of Rs. 210 to whom they sell it. They think that this is competition. I do not mean to say that this can be called strictly competition. They do not know the fact that because the market rates are higher they are offered a higher rate. Sometimes brokers of two or three buyers, if they happen to meet together in a village, enter into competition. So people call it competition. Of course they will get a still higher price if there is greater rise. But there is a danger in the markets which people apprehend. Supposing the merchants and the buyers form a combination, what would be the position of those agriculturists who cart their cotton from ten miles to the market?

6136. But if there are some facilities in the market for warehousing, they can get an advance?—Yes, I am told that *kapas* used to be sold the same day or the next day in Berar.

6137. Not necessarily. Do you not think that the provision of warehouses in central places like Surat would be useful only to those people who bring their cotton to such places. If they are going to sell their cotton in villages, it will not be useful to them. It will be useful to them only if they change their system?—Yes. But if they have warehouses in several centres they might change their system. I am in favour of forming pools on co-operative basis for selling cotton and other crops also. I have seen some farmers' co-operative stores in other parts of the world. They have been working satisfactorily. They do exist in America and in South Africa. You may call them co-operative unions.

6138. For sale?—Yes, and also all supplies to agriculturists should be supplied by the stores. If farmers' co-operative stores on similar lines are established in the interior at different convenient centres with ginning factories, oil, rice and flour mills, etc., wherever possible, and warehouses are maintained by such stores, the crops of agriculturists can be stocked and sold at the opportune time to get better rates. I know places in Southern Rhodesia where similar work is being done. They get advances. Everything is done on business principles on co-operative basis, but it is done only for the members.

6139. Does the delay in payment cause much inconvenience to a cultivator?—Yes.

6140. But are there not some people who are willing to pay at once?—There are some gineries who pay right on the spot.

6141. Are these gineries preferred to others?—Yes.

6142. What is a *haval*a?—It is a chit. I say “Mr. V. L. Mehta, please pay to Mr. Kamat on my behalf.”

6143. Is it not negotiable?—No.

6144. You say that the rate of interest should not exceed $4\frac{1}{2}$ per cent. to 5 per cent.?—Yes.

6145. Does it make much difference between $4\frac{1}{2}$ to 5 per cent. and 6 per cent.?—It will make a great difference.

6146. If the long-term loan is extended to 30 or 40 years, will it make much difference whether the rate is $4\frac{1}{2}$ or 5 or 6 per cent. After all, if, as far as possible, the rate follows the market rate, would it not make it easier to work the whole system?—The agricultural industry, as it stands at present, does not pay. I would even suggest 3 per cent.

6147. Was the enquiry about indebtedness that you made in Bardoli and Chorasi *talukas* a village to village enquiry?—Yes.

6148. Was it an enquiry with individuals?—I collected half a dozen or sometimes a dozen persons—one important man from one street and another important man from another street and so on.

6149. Did you make enquiries regarding each individual?—Yes.

6150. You made enquiries from one individual in each road?—Yes; I collected some prominent men. There is nothing secret in villages. And I made enquiries.

6151. They know everything about the other persons living in the same road. Do they?—Yes.

6152. You speak about subsidiary industry in your district. Does it want capital?—I think it does.

6153. Where do they now borrow from?—They borrow from *sowcars*.

6154. Do they borrow at the rate of 9 per cent.?—That depends upon the credit of the borrower.

6155. Speaking about the Co-operative Movement you say: “The first principle of the credit system should be that the borrower should get credit whenever he wants and the amount he wants. Both these conditions cannot be fulfilled under the present co-operative rules.” Do you mean that they are not fulfilled or they cannot be fulfilled at all?—Under the present rules they cannot be fulfilled. If I want Rs. 1,000 it takes 15 days’ time to get this loan.

6156. You want that the procedure should be expedited?—Yes.

6157. But it is possible to expedite the procedure, is it not?—I mean, as at present it stands, it cannot be expedited.

6158. Do you favour the *sowcari* system as it exists in some places at present that a man should pay yearly interest regularly and should not bother himself about the principal?—No. I would prefer the other thing. I am advocating redemption of debt. My suggestion is that Government or anybody should come and redeem the old debts.

6159. Would you expect the cultivator to pay the instalment of principal also regularly?—He should pay interest as well as some portion of the capital.

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6160. You say: "The rate of interest charged by co-operative societies which are Rs. 9-6-0 and Rs. 10-15-0 per cent. per annum are in no way better than the money-lenders' rates." On an average you say the money-lender advances at 9 per cent. Apart from this are there any other things which make the real interest heavier?—There is the *vata*v system. You should take into consideration some of the labouring classes and *kaliparaj* agriculturists who pay from 18 to 50 per cent. which I have mentioned above. So, when I say 9 to 12 per cent. is the average, I include the advanced class agriculturists also.

6161. You say the rate for this last class would be 7½ per cent. to 9 per cent. Would this include *vata*v and other things?—Yes.

6162. Do not *sowcars* take *vata*v from this class of labourers?—Not all. There are three kinds of *sowcars*. The agriculturist money-lenders who lend amongst themselves and who do not take any *vata*v. There are some *sowcars* who are not charging *vata*v. Take myself. I never take more than 9 per cent. from any man whether he comes from a depressed class or from a superior class. My rate is from 6 to 9 per cent. There may be other persons like myself.

6163. But we have not to go by exceptions?—The agriculturists, when they lend amongst themselves, do not charge *vata*v.

6164. But the bulk of the lending is done by *sowcars*. They do charge *vata*v. You have said their rate of interest is 9 per cent. It means really that their rate must be more than 9 per cent. when you take into consideration all other factors?—That is why I have said 9 to 12 per cent. at the end.

6165. You are comparing this interest with co-operative societies' interest?—Yes. So far as good agriculturists are concerned they will never go to a co-operative society. I mean they are not going to a co-operative society when they can get from you or from me at 7½ per cent.

6166. Do you expect the co-operative societies to work at a loss?—No. I do not find fault with them.

6167. You only say that the system does not suit the better class of people who can come and borrow at the lower rate?—Yes. Nine lakhs of rupees are lying idle in the Surat District Bank.

6168. *Mr. V. L. Mehta*: Do you think that if the rate of interest is reduced to 7½ per cent., many more agriculturists would join co-operative societies?—Yes.

6169. *The Chairman*: It has been suggested that instead of opening branches of the Imperial Bank or the Reserve Bank in each *taluka*, one or more indigenous bankers of *taluka* headquarters, who have sufficient credit and can give sufficient security, should be appointed agents of the Imperial Bank; do you think such a scheme would work?—I think it would work.

6170. Even if the agency is given to individuals?—Yes. They would find out the real economic condition of the agriculturists, and would, therefore, work better than a joint stock bank.

6171. Would they combine?—If they get sufficient return, they will join. As soon as you establish cheap credit facilities, they will come to you.

6172. Suppose you give agency to one indigenous banker, would he not compete with others?—Competition is possible. Let even some of them disappear; I want only honest men, who can do something good for the agriculturists.

6173. Have you any pawn-shops here ?—I do not think there are any.

6174. Is it desirable for poor people to have such pawn-shops ?—Such people are getting money from village money-lenders on deposit of some ornaments or some articles as brass or copper vessels.

6175. In some countries there are Government pawn-shops. Would it be desirable to have such pawn-shops in Surat ?—I cannot say.

6176. Do you think it would be in the interests of poor people ?—It would be, provided some corporate body starts them.

6177. In your statement you say : “ The indigenous banking can be made more useful and extensive by making provisions for co-ordination of indigenous bankers with the Imperial Bank of India and other banks so that these money-lenders can get credit at cheaper rates of interest.” How would you bring about the co-ordination ?—More facilities should be given to them.

6178. *Mr. Kamat* : Speaking generally, on the whole, do you think that the capital available in this district both for financing industry and financing agriculture is sufficient, or is there a complaint that it is insufficient ?—There is no complaint that the capital is not available, as far as I know.

6179. To bring down the rate of interest for agriculturists to $4\frac{1}{2}$ per cent., do you want capital from Government to be brought in ?—We have argued that capital derived from land revenue should be handed over at 3 per cent. to land mortgage banks.

6180. You say in your statement : “ Some of these funds should be lent to the mortgage banks, say at 3 per cent. interest.” Do you want the funds collected from the *ryots* by Government for current purposes to be made available for long-term credit to agriculturists ?—I have said that $5\frac{1}{2}$ crores of land revenue, collected from the *ryots*, is deposited without interest with the Imperial Bank of India, and these funds are not made available to *ryots* for permanent or long-term or short-term investments.

6181. And if Government current funds are not available, do you want loans ?—Yes.

6182. Do you mean, Government should raise a loan at, say, 5 per cent. and give it to the land mortgage bank at 3 per cent., and the difference should be paid by the general taxpayer ?—Yes. I have given my reasons that 70 per cent. of the people depend on agriculture, and if these 70 per cent. are ruined, the remaining 30 per cent. would be no more.

6183. Supposing the general taxpayer bears this difference, are you quite sure that every cultivator to whom this money is given at $4\frac{1}{2}$ per cent. would make a success from the farming point of view of the money he borrows ?—It would, no doubt, materially affect him.

6184. In every case ?—Yes, taking all things into consideration. It is one of the important things, and it will give them incentive, if you redeem them from debts.

6185. Even the co-operative society, which is a financing agency, with all its desire to relieve the cultivator of his debts and to put him on his legs, is unable to distribute money to all of them without looking into the earning capacity and character of each cultivator for making his farming a success ?—It is the present system of bye-laws that comes in the way. On account of the unlimited liability of the society, good and

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sound members do not join. When I can get money at 6 per cent., why should I shoulder the liability of the society and pay more interest ?

6186. Has not the Co-operative Movement made fairly satisfactory progress ?—Yes, so far as the number of societies are concerned, it has done good progress. It has done very well in the cotton sale societies.

6187. The total number of members of these co-operative societies in your district is less than ten thousand, whereas the total number of working farmers may be about two to three lakhs, you will thus see the societies have been able to do good to ten thousand people only. Do you mean to say that the co-operative societies refuse to help those who are outside the societies, if they can help them ?—Not all; but some have been refused on account of the obstacles put in the way of the co-operative societies, and some do not want to go to the co-operative societies.

6188. To all except these ten thousand, would you give loans at 3 or even 4½ per cent. after taxing the general tax-payer ?—Yes, with exception of those who are totally hopeless. I will take these ten thousand also into the fold.

6189. *Mr. Desai* : From your experience, could you say whether the Imperial Bank generally accommodates the indigenous bankers, taking into consideration the part played by them in the trade of the country ?—They are issuing drafts and *hundis* at a higher rate of interest to indigenous bankers and other merchants.

6190. Do you not think that it is due to the ignorance of the management of the central institution and to the fact that the management is in the hands of foreigners, who do not know anything about indigenous bankers ?—It may be because the Imperial Bank seems to have been working for big houses.

6191. *The Chairman* : Does it not help the local merchants by advancing them against security of goods ?—Some big merchants have been advanced against security of gold.

6192. Does it not advance to small merchants against security of gold ?—It advances about Rs. 10 to 15 thousand.

6193. *Mr. Desai* : Who finances the internal trade of India ?—The indigenous bankers. You must take money-lenders of the village into the indigenous bankers.

6194. What has been the result of the opening of the branches of the Imperial Bank ? Has it done any good ?—It has not done good to the agriculturists, but indirectly a harm, which I can explain to you. Formerly, small people in the city used to invest their savings into agriculture, but now the money has been attracted by the branches of the Imperial Bank, and the money goes into the coffers of the Bank.

6195. *Professor Kale* : There is a good deal of land under grass in this district, and you have said that agriculturists breed buffaloes and cows; do they export any *ghee* ?—No.

6196. Is it all consumed in the district itself ?—Yes, and some *ghee* is imported from Kheda. On account of pasture grounds being not sufficient and on account of the very poor financial condition of the agriculturists they are not in a position to maintain cows and buffaloes in a good condition, and therefore, they cannot get sufficient amount of milk and *ghee*.

6197. Do you think there are too many cattle ?—No; there are not too many cattle, but they are not bred well.

6198. Does it not follow that land which would have otherwise been used for cotton and other crops is under grass?—You cannot grow cotton in *talukas* such as Chikli and Pardi; Pardi *taluka* is suitable for intensive farming for growing all sorts of fruits, such as mangoes, and if this is taken up, it would be useful.

6199. *The Chairman*: Why is it not taken up?—Pardi is the poorest *taluka*. Agriculturists grow mangoes there, but it is a question of finance and organisation and agricultural improvements. You cannot do anything without agricultural improvements.

6200. *Professor Kale*: Do you think that there is a good deal of room for co-operation?—Yes.

6201. It appears from your remarks that general education should be extended, otherwise agriculturists would not be able to take advantage of the agricultural facilities?—Yes, they should be educated, otherwise we cannot get the results we expect.

6202. *Mr. V. L. Mehta*: In your statement, you have stated that not getting money at the time when it is badly required for agricultural operations is one of the defects of the system. Is it the co-operative system or the money-lending system?—I mean money-lending by co-operative societies.

6203. Is it not in any sense a defect also of the ordinary *soucari* system?—No.

6204. You have made some suggestion about regulation of accounts. Do you want this kind of regulation by legislation?—I want this regulation, but, I am afraid, money-lenders would resent it.

6205. Should any legislation be passed at once or should it be passed after educating some public opinion?—After taking their views into consideration.

6206. You refer to some complaints about the proceeds of postal cash certificates not being made available for local purposes. Suppose some arrangement is made by Government for utilising the proceeds for local use, would that meet your objection?—I have said that Government pays more interest than the sound bankers. In no case should Government pay more interest and compete with other banks by attracting more deposits, as ultimately our industries suffer.

6207. Does that not apply to loans by Government?—Yes.

6208. You lay very great emphasis on the reduction of the rate of interest for advances to agriculturists. Do you think that is a more important factor than other factors?—It is one of the important factors. With the cheap rate of interest and greater facilities the agriculturist will be in a position to improve his land, and the improved land will yield more, and the greatest salvation for the agriculturist of this country is the increased yield, which is not being done inspite of the Agricultural Department. The yield has close connection with the improved land, and the improved land has great connection with cheaper finance, which means cheaper rates of interest. I, therefore, lay a great stress on this point.

6209. *The Chairman*: When in a good year the agriculturist has something to save, what does he do with it? Does he put it into the post office savings bank?—He does not put it into the savings bank, but he might do that in a co-operative bank, but mostly he goes in for purchase of land.

6210. What would he do, if there is a small saving of, say, Rs. 20 or Rs. 30?—He would spend it, or put it with the money-lender in the village.

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6211. Could he not buy postal cash certificates, or put the sum into the postal savings bank? Is it a fact that he is ignorant of the existence of these postal cash certificates and post office savings banks?—Yes, in many cases.

6212. Would he invest, if propaganda is carried on?—Yes.

6213. Would more propaganda justify the opening of more post office savings banks in rural areas?—It would justify, but the savings in rural areas would be insignificant. If an agriculturist has a saving of, say, Rs. 50, and if he is not indebted to any one, he would go in for land or purchase gold or purchase pots.

6214. Would he not invest, if there is a place where he can safely deposit his money?—Yes, he may.

(The witness withdrew.)

**Mr. BHAGWANDAS B. SHROFF, District Honorary
Organiser, Co-operative Societies, Bulsar.**

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—For purposes stated in clauses (a) and (c) the agriculturist obtains finance from local money-lenders or from co-operative credit society.

For purposes stated in clause (b) the agriculturist obtains finance from big money-lenders or from co-operative credit society or from Government as *taccavi*.

The rate of interest charged by local money-lenders ranges from 9 per cent. to 24 per cent. according to the credit that the agriculturist has established with his *sowcar*. The rate of interest charged by the co-operative credit societies to their members varies from $9\frac{3}{8}$ to $10\frac{1}{4}$ per cent. The loan for purposes stated in clauses (a) and (c) is generally to be repaid when the crops are ready for sale and that for purposes stated in clause (b) is to be repaid according to the nature of the work done with the help of the loan.

The loan for purposes stated in clauses (a) and (c) is advanced on personal security provided the amount is small, *i.e.*, up to one hundred rupees, with the condition that the amount is to be repaid from the proceeds of the crops. In some cases standing crops are also given in mortgage to the *sowcars*. The local *sowcars* do not generally advance loan without taking *vatar* from the borrowers. The co-operative credit society advances money on personal security with two sureties or by taking landed property in mortgage. Co-operative societies advance loan to their members for purposes stated in clauses (a) and (c) on condition that the repayment is made in one year and for purposes stated in clause (b) on condition that the repayment is made within two to five years.

Government helps the agriculturists by advancing *taccavi* loans to them.

The Imperial Bank of India and joint stock banks do not play any part in advancing money to agriculturists direct. The Surat District Co-operative Bank helps the cotton sale societies in the district by providing finance to them. There are some money-lenders who are doing the business of money-lending as well as trading. They profit themselves both ways, *e.g.*, they get interest for their money as well as they get the commodities of their clients at low rates and besides they get the repayment of loans advanced by them easily from the proceeds of sale of the goods of their clients.

The total amount of capital required for purposes stated in clauses (a), (b) and (c) above cannot be definitely ascertained owing to the illiteracy of the agriculturists and owing to their apathy of keeping regular accounts of their dealings.

At present the local money-lenders charge exorbitant rate of interest to the agriculturists, and owing to illiteracy among them these *soucars* squeeze them in many other ways, e.g., by purchasing their crops at low rates, supplying them their necessaries at high rates and by false calculations in accounts and by advancing them loans for unproductive purposes with a view to becoming landholders eventually. These defects can be remedied by providing at least facilities for primary education in every village and by providing money-lending facilities at a cheap rate of interest on favourable terms.

Co-operative credit societies, if properly worked, can provide money-lending facilities to the agriculturists to a certain extent. Persons with self-sacrificing spirit for the work of uplifting their fellow brothers must come forward to manage a society for a village or a group of villages.

QUESTION 2.—The principal crops of this part of the district are paddy, molasses, cotton and mangoes.

Paddy is generally brought to *taluka* towns by big agriculturists in their own carts and sold in the *bazar* at the prevailing rate of the day. Paddy belonging to small agriculturists is purchased in the village itself by the local money-lender or by the small traders of *taluka* towns who visit the villages for purchasing small quantities from different agriculturists and bring them to the towns and sell at the prevailing rate of the day on their own account.

Molasses is generally sold in the village itself. Purchasers from *taluka* towns go to different villages and buy from the individual agriculturist. Generally the money-lenders of the villages become the middlemen in such transactions. The prevailing practice regarding this commodity is that the pots of molasses are weighed and tested in the village and a chit, stating therein the total quantity of commodity and the rate at which the commodity is purchased per maund, is given to the agriculturist if the transaction is made with him direct, and if there is a middleman it is given to him. On handing over the chit to the purchaser at the *taluka* town, the agriculturist would get the proceeds of his commodity. The agriculturist is bound to deliver the goods to the railway station or *bunder* or the godown of the purchaser in his own carts.

Cotton is sold by the agriculturist to the ginning factory owners at Bilimora or Navsari. It is sometimes sold before it is collected. There are only two cotton sale societies in this part of the district. Agriculturists other than members of these societies make their individual arrangement for sale. It is very advantageous to sell cotton by forming cotton sale societies. But the big agriculturists in order to serve their personal interests do not allow the small agriculturists to combine and form themselves into a cotton sale society.

Mangoes : Small agriculturists sell their produce to petty local merchants and these petty merchants in their turn export these mangoes after sorting them in different qualities to Bombay and other cities where these mangoes are sold through commission agents.

There is no organisation for marketing the agricultural produce except the cotton sale societies stated above.

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The agriculturists must combine and form themselves into sale societies for the sale of agricultural produce. Unless this is done, there is no other way by which they can get better prices for their agricultural produce. For internal remittances the existing facilities are cheques, *hundis*, drafts and *havalas* in the towns and cities with banks or bankers. In villages where there are no banks or bankers, cash payments are generally made. In small towns where there are some local *shroffs* having business connection with Bombay, *hundis* can be discounted if the presenting party is sound, and if otherwise, the payees have to wait till the advice of *hundis* having been honoured is received.

QUESTION 3.—The values of land differ for different kinds of soil and vary from Rs. 25 per acre to Rs. 300 for the *jirayat* land and from Rs. 150 to Rs. 600 for *kiary* and *bagayat* lands. The factors affecting the value of land are : (1) Demand and supply, (2) Credit facilities, (3) Irrigation facilities, and (4) Facilities for marketing the produce.

In this part sale of land on account of non-payment of land revenue hardly takes place ; hence it cannot be said how the value affects in such an instance. The value of land in the event of sale by court decrees or by revenue authorities for the recovery of co-operative societies' dues is lower than what is obtained while selling by private negotiations.

QUESTION 4.—There is no legal impediment to mortgage of land and agricultural holdings in this part of the district. There is no land mortgage bank in this district. There is the Surat District Co-operative Bank at Surat with its branches at Bulsar and Chikli. This bank finances the co-operative societies to enable them to lend their members long-term loans up to ten years. This bank has also advanced loans to co-operative societies in Pardi *taluka* for debt redemption of their members. In advancing loans for long terms the co-operative banks should be very careful in assessing the value of the land to be taken in mortgage. After assessing the value of the land at the present market value some substantial amount should be deducted from the value for depreciation in value during the years of repayment. I understand that the object in advancing long-term loans is to save the agriculturist from losing his land. Hence the amount of yearly instalment fixed must be such that the borrower may be able to pay it regularly. If the authority sanctioning the loan is convinced that, after deducting the cultivation expenses, the maintenance expenses of the borrower's family and the necessary social expenses that the borrower will have to incur during the repayment period fixed, his earning is sufficient to pay the amount of instalment, then the loan should be sanctioned.

The share capital and the deposits from the people form the working capital of co-operative banks. Land mortgage banks should be formed to advance long-term loans. The working capital for such a bank may be obtained from the following sources at the rate of interest not exceeding 4½ per cent. :—

- (1) Deposits, (2) Funds from central banks, (3) Debentures with Government guarantee for capital and interest.

Government should make post office savings bank amount available for this purpose. In order to safeguard the Government's interest, it may be given representation on the board of directors of such bank.

No entry regarding the ownership of land should be allowed to be recorded in the Record of Rights unless the registered title deed is produced before the village officer or an official extract from the Sub-Registrar's office is received. The present system of recording oral sales and leases should be stopped altogether.

The land mortgage banks should have the power of foreclosure and sale in case of non-payment by the borrower.

QUESTION 5.—It is very difficult to arrive at an accurate estimate of the existing indebtedness of agricultural classes. However, a rough idea can be had if an inquiry is started by Government in typical villages and information is gathered from the agriculturists themselves, though there is danger of some people concealing real condition through false notion of prestige.

It is also very difficult to find out the purposes for which debts were incurred by agriculturists. But generally the debts are incurred for agricultural operations, maintenance charges when there is insufficient profit from agriculture and also for social expenditure. The creditors in such cases are village money-lenders and co-operative credit societies.

When agriculturists become over-indebted they generally become nervous and do not pay proper attention to improve their land and get more produce.

Oral Evidence.

6215. *The Chairman* : Mr. Bhagwandas, you are the District Honorary Organizer of Co-operative Societies at Bulsar ?—Yes, in Bulsar, Pardi, Chikli and Jalalpore talukas.

6216. Are you a landholder ?—I am paying only Rs. 50 or Rs. 60 assessment.

6217. Do you cultivate your land, or have you leased it out ?—I have leased it.

6218. Is the bulk of agricultural finance provided by *sowcars* in your four talukas ?—By *sowcars* and co-operative societies.

6219. Do co-operative societies furnish an appreciable part of the finance in these talukas ?—For current needs the co-operative societies finance, and for past debts they supply up to Rs. 750.

6220. Have many people been redeemed from past debts ?—Schemes in two villages have been taken in hand.

6221. Have the schemes been passed ?—In Vatar and Daswada villages of Pardi taluka schemes were taken in hand and the debts were redeemed.

6222. Do you know whether any of the people who were redeemed have gone back to the *sowcars* ?—Yes, they again go to *sowcars* and borrow from them. I found that they concealed their debts at the time of demanding loans from societies, and afterwards they did not pay the instalments to the societies, and said that they had other debts also, which were not redeemed.

6223. Why did they conceal ?—On account of false notions of prestige.

6224. Has this scheme of debt redemption not benefited the agriculturists ?—The scheme has not proved successful, as the members are not repaying.

6225. Was the instalment beyond their repaying capacity ?—Yes.

6226. Can you suggest any remedy ?—These loans were advanced for ten years. They should be advanced for longer periods.

6227. What do you think should be the maximum period ?—30 years.

6228. As regards current needs, are your members going to *sowcars* also to any large extent ?—They go to *sowcars*.

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6229. Do they not get sufficient amount from societies ?—They get enough, but the thing is that the management is not satisfactory. The members of the managing committee are mostly ignorant of the needs of agriculturists, and some members of the managing committee themselves are debtors and do not pay to societies, and they cannot ask others to pay.

6230. Does that happen in the case of societies of the backward class, or also in other places ?—This is the case where the majority of members are of the higher classes.

6231. Is that because there is no unity ?—The *kaliparaj* people fear and pay their instalments by saving small amounts, whereas the high class people do not pay.

6232. Are the recoveries satisfactory in the *kaliparaj* societies ?—Yes.

6233. Would the societies be better with men of more education ?—Yes.

6234. You say that Government helps agriculturists by advancing loans. Is that done on a large scale ?—I have no personal experience.

6235. Is land improvement carried on in this district ?—No.

6236. If finance on reasonable terms is available, would it not encourage land improvement and fruit growing ?—Yes.

6237. Is there no branch of the Imperial Bank in any of these four *talukas* ?—No.

6238. You say that you have two cotton sale societies. Are they doing well ?—One society is doing well, and the other is doing business on a small scale as there are only a few members.

6239. You say that money-lenders charge exorbitant rate of interest. What is minimum rate ?—Not less than 12 per cent.

6240. What is the maximum ?—Nearly 75 per cent.

6241. In addition to that, do they make profit when the produce is brought to them by the debtors ?—Yes.

6242. You say that big agriculturists come in the way of forming cotton sale societies. Why should they do so ?—The big agriculturists themselves are the agents of ginning factories, and they would lose their business if small agriculturists formed themselves into societies, and therefore, they come in the way.

6243. Are ginning factory owners usually the purchasers of cotton ?—Yes, there are many such ginning factories,—eleven in Bilimora and Navsari. There are only two cotton sale societies in this part of the district.

6244. Is the marketing of mangoes satisfactory ?—There is no local market. Small agriculturists sell mangoes to local merchants, and these petty merchants export them to Bombay.

6245. Is there much of *hundi* business done in Bulsar ?—Yes.

6246. Who does that ?—Local *shroffs* draw on Bombay *shroffs*.

6247. In answer to question 4 you say : " In advancing loans for long term the co-operative banks should be very careful in assessing the value of the land to be taken in mortgage. After assessing the value of the land at the present market value some substantial amount should be deducted from the value for depreciation in value during the years of repayment." Does the land depreciate very rapidly in value ?—Certainly. If you take the price prevailing five years ago and the price prevailing now, you will find a marked difference. The value of land would be two-thirds of what it was five years before.

6248. You say that no entry regarding the ownership of land should be allowed to be recorded unless there are registered title deeds. What would happen to oral agreements?—They should not be allowed. *Sowcars* take benefit, and they make common cause with the *talati*.

6249. *Professor Kale* : Referring to the scheme of debt redemption in the two villages, supposing from the very beginning the period had been 30 years instead of 10 years, do you think the scheme would have been a success?—Yes.

6250. How did you calculate the repaying capacity of members when the period was fixed?—We calculated according to our experience.

6251. You now think that your estimate was not correct, and that further information ought to have been gathered?—We had no data about indebtedness, and we enquired from the villagers themselves.

6252. Suppose you start a new scheme in other villages, do you think it would be successful?—Yes, if the period is longer.

6253. Are any steps taken in that direction by your society?—The Institute makes efforts. We are going in villages and ask people to join, but they do not join: they want money.

6254. Is there no spirit of co-operation?—No.

6255. Have you any remedy to suggest?—There should be propaganda, and people must be educated.

6256. *Mr. Kamat* : What is the general nature of the work which the Provincial Co-operative Institute is doing for this district?—Propaganda. They are holding secretaries classes at headquarters as well as in *talukas*. They are holding *taluka* conferences and district conferences.

6257. Do the officers of the Institute come in close touch with this district occasionally?—At some places the secretaries go to the villages where there are societies, and the local members of the Institute of that part also go.

6258. Have you observed any marked difference in those members of the managing committee who are literate, that is, those who can read and write, as against those who cannot?—There is some difference.

6259. Is the difference in favour of those who can read and write?—So far as disinterested work is concerned, there is no difference between the educated and the uneducated.

6260. *Mr. Buckley* : You suggest that the working capital of the land mortgage bank may be obtained from (1) deposits, (2) funds from central banks and (3) debentures with Government guarantee for capital and interest. How could the central banks give their funds in case the loan was for 30 or 40 years?—If the central banks have a surplus, they can deposit that surplus in the land mortgage bank.

6261. For what period?—That will depend on the period for which they have received the funds.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Tuesday, the 19th November 1929.

Mr. B. B. Shroff.

Tuesday, November 19th, 1929.

SURAT.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.
Mr. H. V. DESAI.
Professor V. G. KALE.

Mr. B. S. KAMAT.
Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. B. S. PATEL, Deputy Director of Agriculture, Gujarat, Surat.

Replies to the Questionnaire.

QUESTION 1.—Agriculturists obtain their finance as under :—

(a) For expenses during cultivation mostly from local money-lender or a trader on personal credit or on crops. Co-operative credit societies also advance money, but their work is limited.

(b) For capital and permanent improvement as well as for social expenses money is borrowed from local money-lender on landed or house security or to a small extent from the Government under the Land Improvement Loans Act.

(c) For other special needs money is borrowed on personal security if amount required is small ; if it is large, on landed or house security or on ornaments. Government also grant *taccavi* loans.

Rate of interest varies in different districts of Gujarat depending upon the condition and credit of the borrower. In Surat and Panch Mahals *kaliparaj* and *bhils* pay 12 to 15 per cent. interest and in some cases it may be still higher. In *talukdari* villages in Ahmedabad district the cultivators pay very heavy interest 15 to 50 per cent. or more. Better class of cultivators in Gujarat pay 6 to 12 per cent. interest. Government give loans as *taccavi* and for land improvement to a very small extent. Co-operative banks, too, supply a fraction of the requirements. Joint stock companies do not finance the agriculturists at all. Bulk of the agricultural finance comes from local money-lenders or big farmers or indigenous bankers in towns or traders dealing in farm produce.

In Broach district it is reported that Pathans are doing a fair amount of money-lending to poor farmers on security of farm produce—chiefly cotton which they buy in advance at about half the current rates. Besides their dealings are undesirable.

Co-operative financing has not made headway in some parts of Gujarat where farmers are able to borrow money easily at 6 to 9 per cent. interest.

Generally very poor class of people, who find great difficulty in borrowing money outside, take advantage of co-operative finance. A large number of such people, however,

do not find the co-operative organisation suitable for their needs as they cannot get money when they like and have to be very punctual in their repayment.

Unfortunately our farmers as a whole are very injudicious in their expenses, and, coupled up with their past indebtedness and meagre earning due to small holdings and poor seasons, are getting into an insolvent state, and it would be very difficult to finance them under any system of financing unless they are taught to be judicious in their social expenses by education at schools and by impressive propaganda amongst the adult by means of posters, amateur dramas, etc.

Total amount of capital required may be guessed at Rs. 10 per acre for all the cropped area :—

Ahmedabad	..	..	..	..	15 lakhs of acres.
Kaira	..	..	..	..	8 lakhs of acres.
Panch Mahals	..	..	..	..	5½ lakhs of acres.
Broach	..	..	..	..	6 lakhs of acres.
Surat	..	..	..	..	7½ lakhs of acres.
Total					.. 42 lakhs of acres.

So the total amount of capital required for current cultivation charges comes to 420 lakhs of rupees per year. This sum may go up by 20 to 50 per cent. in bad years, so we may need 5 to 6 crores of rupees a year.

It is very difficult to estimate the capital required for permanent improvement ; but I may venture to put this figure at Rs. 10 per irrigated acre. The total area in five Gujarat districts under irrigation is about 1¼ lakhs of acres and thus the amount will come up to 12½ lakhs per year.

Besides the remaining dry land under cultivation is about 41 lakhs and taking at least Rs. 2 per acre for permanent improvement it may come to 82 lakhs of rupees ; thus in all we may need not more than one crore of rupees for permanent improvement. This is absolutely an arbitrary figure and without intensive investigation in different agricultural tracts of Gujarat, it is difficult to arrive at reliable estimate.

QUESTION 2.—Principal crops in Gujarat are cotton, rice, *juar*, *bajri*, maize, pulses, wheat, oil-seeds, tobacco and vegetable crops.

Cultivators near ginning centres sell their cotton in the marketing centres to gin-owners or cotton merchants. Otherwise most of the cotton is sold in villages to the *dalals* of ginowners or to the cotton merchants who get it ginned. In this connection I would refer you to the two reports on an investigation into the finance and marketing of cultivators' cotton in North Gujarat and Middle Gujarat by the Indian Central Cotton Committee.

Grains and oil-seed are purchased by merchants locally or sold to merchants of nearest big villages, in some cases grains are carted to big market and sold there through *dalals*.

Tobacco is purchased from the farmer by the *dalals* or merchants in villages. Vegetables are brought to city markets from round about villages and are sold by auction through *dalals*.

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Fruit crops are often purchased by contractors earlier in the season when fruits are being formed. The contractors take the crop to *bazar* and auction it.

There are great possibilities of co-operative sale in some standardised commodities such as one type of cotton, one type of oil-seeds, etc., but there is great difficulty in the way due to want of proper storage facilities at different market centres and due to want of loyalty on the part of a cultivator due to his ignorance and want of unity amongst village people.

Opening of cotton markets may help the storage problem. However, it is very difficult just now to induce local boards, and particularly municipalities, to go in for cotton markets, and as a result there is a danger that cotton markets may not be opened in Gujarat. If, however, storage facility is to be provided by the State, they should form a part of cotton markets or other markets in large marketing centres.

Another very great difficulty in organising co-operative marketing is the want of business expert guidance in many cases. The success of co-operative cotton sale societies is generally attributed to capable business manager or secretary.

Credit facilities available have been described under Question 1.

As regards requirement of credit facilities, it depends upon the sale organisation provided for different farm products.

Farmers usually sell away their produce at harvest time either to pay up their cultivation loans or for paying assessment or for purchasing their requirements.

In selling farm produce it will not always be advisable to postpone selling, but generally sales should be made in two to four lots during the selling season; and the credit equal to another Rs. 10 per acre will be required in addition to Rs. 10 stated in answer to Question 1.

Bankers and banks advance money to middlemen who buy from the farmers at harvest time as a rule, but the profits are made by middlemen and not by the farmers.

Ginowners advance money on cotton to large farmers or a group of farmers in Surat district, who get their cotton ginned and sell the lint within four or five months. Similar credit may be of great use in the case of marketing groundnut, tobacco, provided farmers join together for marketing.

Licensed warehouses attached to big markets will be of great use in marketing the farm produce to advantage provided farmers take advantage of these.

I doubt if such warehouses at exporting ports will be of use to the farmer, as farmers are not in a position to take up export trade at this stage.

Warehouses in market places may have to be assisted by the Government at initial stages.

QUESTION 3.—Average value of agricultural land varies in different districts. Variation is due to productivity of the land depending upon soil fertility and rainfall conditions and the kind of crop it can grow and the facility of well or tank irrigation, and above all, nearness of market or railway station. Tobacco lands are worth Rs. 500 to 2,000 per acre. Same way good garden lands on good wells have similar values.

Cotton lands in sure rainfall tracts are worth more than in famine tracts and their values vary from Rs. 100 to Rs. 400 per acre.

Rice lands value from Rs. 100 to Rs. 400 per acre. Land where the population is scarce and area available is large due to uncertainty of rainfall or some other disadvantage is valued at Rs. 30 to Rs. 50 per acre.

High values are not necessarily economic values of lands but are more due to scarcity of land for sale and the sentimental desire of owning land on the part of some agriculturists who have earned money in trade outside and are keen to have land at any price.

No data are available to reply to *a, b, c* points of this question.

Questions 4 and 5 are left unanswered for want of first-hand information.

QUESTION 6.—Dairying is more universal in most parts of Gujarat, more so in Kaira and Ahmedabad and some parts of Panch Mahals than in Surat, Broach and other parts of Panch Mahals. Poultry keeping, too, is more in Surat, Broach and Panch Mahals. Rope-making, bed-tape weaving in Surat district, *tatpatti* weaving in Panch Mahals are followed to a limited extent for supplying individual needs.

Rice milling, cotton ginning are resorted to by some class of farmers and farm labourers. Garden cultivation to a limited extent provides work throughout the year near cities.

Dairy keeping can be improved by a system of record keeping and breeding by selection of the best and by introduction of silage in some places.

Increased facilities for wells and erection of oil engines may help to some extent. But large part of population will still have spare time which can only be used for making their own clothes from cotton by carding, spinning and weaving; this can be encouraged by grants-in-aids to these organisations that are working for these. These organisations should be helped to have itinerant training classes in villages and then a common weaving place may be run in each village by such an organisation and the Government may help by bearing half the cost. Besides the subject must be introduced in middle schools. Poultry keeping can be also improved by introduction of better cocks and giving short courses in poultry keeping and by supplying expert advice in the district. Dairying and poultry keeping can do a great deal for the farmer of Gujarat.

In addition intelligent work of lace-making, gold thread work, etc., can be taken from women folks of better class of farmers in Surat, Broach, Kaira and Ahmedabad by introducing these subjects in girls' schools and by organising classes for adults. In fact it is absolutely necessary to devise educational methods that will educate our masses to be skilled workers and industrious like the Chinese.

Co-operative organisation is the best and capital may be found by small savings invested into shares by each worker and by loans from co-operative banks.

QUESTION 7.—Genuine Co-operative Movement may be exempted from income-tax as the profit they make is not profit in the real sense but is the savings in their own transactions.

I am not touching the rest of the questions which may be better done by others directly concerned.

Oral Evidence.

6262. *The Chairman* : Mr. Patel, you are the Deputy Director of Agriculture, Gujarat, Surat?—Yes.

6263. How long have you been Deputy Director of Agriculture here?—Since last January.

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6264. Before this you were Professor of Agriculture at the College of Agriculture?—Yes.

6265. I presume you have had long experience about agricultural conditions in Gujarat?—Yes.

6266. What is your general impression? Do you think that on the whole the different classes of agriculturists in Gujarat are getting sufficient finance for their current agricultural needs, or is there any particular class or classes which do not get it?—The backward classes, that is, *bhils* and *dubalas* have difficulties and some of the people amongst the advanced class also who have already incurred a lot of debt have difficulties.

6267. But people with credit do not have much difficulty?—No.

6268. The rate of interest is sufficiently high?—It is here lower as compared with other places. As I have stated, generally for the better class of cultivators in Gujarat it is about 6 to 12 per cent. and for the backward class, it may come up to 18 per cent. ordinarily. Of course, in some places I understand the interest is very high particularly in some villages in Ahmedabad district where there are *talukdars* and landlords whose tenants have to pay a very high rate of interest.

6269. Perhaps they have no credit outside?—Probably it may be so.

6270. As an agriculturist or as a Professor of Agriculture, can you say what rate of interest would be a reasonable rate?—Personally I think it should be 6 per cent. and not more.

6271. Do you think that 6 per cent. is the maximum at which agriculture can be made paying here?—There are two problems. Agriculture pays in one sense. If you take an individual field it pays; and, in this sense many people nowadays say that agriculture is paying. If you take a crop it pays, but I personally do not advocate this view. It is my personal view that an agriculturist does not get enough living from agriculture. Just as a businessman, if he has only business for Rs. 1,000 a year, may get only Rs. 100. It is a good return, but it is not enough. He does not earn sufficient for his living. If he has business for Rs. 50,000 a year, that is another thing. I think that most of the farming would be on the same basis as a businessman doing business for Rs. 1,000 a year and getting Rs. 100. You will find that the holding of an agriculturist is very small, the employment he gets is for four to six months in a year; and, as far as my experience abroad goes, no country in the world can give living to the farmer who works only for four to six months in a year.

6272. Your contention is that the holdings being what they are and there being not sufficient employment to the agriculturist throughout the year, agriculture in the majority of the cases is not paying to the agriculturists?—They do not get enough living. This is what I personally think.

6273. Supposing there is a man with an economic holding do you think that 6 per cent. is to be the maximum rate which he should be charged?—I think 6 per cent. will be a reasonable rate. Here an ordinary man of credit can get money at 5 to 9 per cent. and you will find that the co-operative organization is not successful in inducing these people to go to co-operative societies because these people get money outside at a cheap rate.

6274. We understand that there is not much demand for finance for land improvement, especially in this district?—There is some demand for oil engines and pumps.

Here there is not slopy land or anything of the kind as they have in the Deccan for bunding and other purposes, except in a few cases. In some cases there is also a demand for tractors. In Gujarat there are more tractors than elsewhere.

6275. Would there be a great demand for tractors if more propaganda work is done?—I doubt very much. As regards pumps, if there is no water in the wells, they cannot be of any use. If we have intensive farming in certain places, then there is a possibility of increasing them. In Kaira and Ahmedabad there is extensive fruit-farming. Here there is a scope for more wells. Unless we have intensive farming, there is not much scope for them.

6276. At present want of finance is not coming in the way of carrying out land improvement?—Not ordinary.

6277. As regards want of employment throughout the year in certain districts of this division people go in for dairying in villages?—In the districts of Kaira, Panch Mahals and Ahmedabad and in some parts of Broach, every farmer maintains a buffalo or two and it does give him some cash income.

6278. Is this industry organized?—This question can be considered from two points of view. One, from the production point of view—we are not doing anything. From the marketing point of view there is a fairly good organization from the merchant community or from the commercial middlemen.

6279. There is nothing being done to introduce proper breeding?—No.

6280. You say: "Unfortunately our farmers as a whole are very injudicious in their expenses and coupled up with their past indebtedness and meagre earning due to small holdings and poor seasons are getting into an insolvent state, etc." Does this remark apply to farmers in general throughout Gujarat or to any particular district?—I think it would apply throughout Gujarat. Personally I believe, and it is rather strange, that the poorest farmers spend most extravagantly and we find according to their income they spend more. If they have a marriage or a death ceremony to perform, they spend perhaps money from which they cannot get out all their life.

6281. Is it because they are already hopelessly in debt?—Yes. Unless they have some business or other profession to increase their income, ordinarily speaking, the majority of the farmers have not much to spare.

6282. In that case it would be risky to finance them?—That is what I say. It would be practically difficult to finance them in any way, as long as they do not change their mentality.

6283. This estimate of yours of Rs. 10 per acre for cropped area refers only to cash requirements, does this not?—Yes. I have taken it for granted he has enough money for maintaining bullocks and implements. I have taken only the cash that he will have to borrow for actual expenses.

6284. You will have also to add something for bullocks?—Yes, but I have not taken this into account.

6285. What is the usual period during which a pair of bullocks is serviceable?—It varies from 8 to 10 years.

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6286. And what does a pair of bullocks cost ?—Rs. 400 to Rs. 500. A smaller pair of bullocks cost Rs. 250 to Rs. 300 but a majority of farmers excepting in some part of Surat keep bullocks costing about Rs. 400 a pair.

6287. *Mr. V. L. Mehta* : In Panch Mahals ?—They keep bullocks worth Rs. 200 or Rs. 300.

6288. *The Chairman* : About marketing, I find from your statement that most of the produce is sold in the village ?—The agents or small merchants buy the produce in the village and on very rare occasions they cart it to distant towns.

6289. So if a cotton market is established, would not cultivators get an advantage ? Would they not bring their cotton to the market ?—In the present circumstances I doubt very much because I made definite enquiries in connection with cotton market and I find from the Jambusar side, the Broach side and also from the Ankleshvar side that there will be no advantage to farmers because if they bring their produce to the market, the local buyers probably would combine and offer to purchase only at a low rate.

6290. But in a place like Surat, cannot a cotton market be established ?—In Surat also there is less scope. A certain amount is purchased by the gins locally and it is purchased in the village and delivered here. We have the co-operative gin which handles a large amount of cotton.

6291. If cultivators come to know that these facilities are available, perhaps they might be induced to bring their crop to the market ?—It is very difficult to convince them. Of course propaganda would be necessary. It would be the right thing, to have a central market, where there will be enough competition between different people.

6292. I understand that at present very little warehousing is done here ?—Yes. I think most of the cotton is warehoused in gins.

6293. If in a central market like this godown facilities are available, would not that be a further inducement to cultivators to bring their produce to the market ?—I do not know. Sometimes if the rate comes down the cultivator has to sell it as he cannot take it back. In that case it will be a facility to have a godown and he can store it for a few days until better prices prevail.

6294. You say : " Bankers and banks advance money to middlemen who buy from the farmer at harvest time as a rule, but the profits are made by middlemen and not by the farmer " ?—Yes.

6295. Do not some of the big cultivators take advantage of the existing banking facilities ?—Very few of them take advantage of them. I do not know any of them.

6296. The smaller people do not bring their cotton here and so they cannot take advantage of the banking facilities ?—No.

6297. As regards dairying or poultry keeping, is any finance required ?—I think even in Kaira people cannot borrow money at a cheap rate. There is a practice there of buying cattle and borrowing money for the same at a pretty high rate of interest. They use part of the money for other purpose. They borrow money for the cattle on the understanding that they will pay every month.

6298. Whom do they borrow from ?—Generally they do not borrow from the people who purchase milk from them. Where they sell most of their milk in cities, they borrow from the city milk dealers, at other places from money-lenders or from agriculturists who are well-to-do and doing some business. Sometimes there is the

"*kandha*" system there, that is, they take Rs. 20 and they accept responsibility for Rs. 21 or Rs. 22 and this sum is to be recovered by ten instalments and when any instalment stops, the interest continues again at 12 per cent. on the balance. I think, therefore, the actual interest must be high. It may come to 12 or 15 per cent. Here perhaps some facilities may be given and credit cheapened.

6299. As regards poultry keeping, is there good marketing of eggs?—Yes; from the Surat district they are sent to Bombay and Ahmedabad.

6300. Have you any experimental farms in Gujarat?—Yes. There is one farm in Surat and there is another at Dohad.

6301. Have you any demonstration farms?—They are mixed. No attempt has been made in the past to keep accounts in such a way that we can have reliable data.

6302. Have you or has your Department tried to find out what is the actual cost of cultivation per acre?—Some general enquiries were made in the past, but no thorough enquiry was started.

6303. On Government farms?—No. On private farms.

6304. Has any literature been published on this subject separately or in magazines?—In magazines you may get one or two articles on the farm in Broach, which were actually put before the Royal Commission on Agriculture. There is one article written by Mr. Joshi and nearly ten years' data are taken. I have one bulletin coming out shortly. Of course this work has been done on the college farm by setting apart all the labour and the equipment just as a farmer would do. It is a special irrigation farm, and therefore, we find that there is work on all the 300 days. It is a very intensive farm. We had three blocks: two blocks under irrigation and one under dry. This will be shortly published.

6305. Would it be published as a Departmental bulletin?—Yes.

6306. *Mr. Kamat*: Taking an ordinary village in Gujarat and its indebtedness, there might be villagers who might be classed as eligible for financial help from co-operative societies, and there might be others who might be classed as absolutely ineligible for help under the present rules of co-operative societies. What would be the proportion in your opinion of these ineligible in a village?—I would rather refer it to the Assistant Registrar because I am not acquainted with the details.

6307. Your general acquaintance with village life does not enable you to give this information?—No, because he has got actual experience. I cannot give you any definite percentage, but in certain parts of Kaira district I do not think there are many people. They must have already gone out of the province. There are other people who are industrious and have a big family. These make their living there.

6308. You have emphasized the point about the extravagance owing to social ceremonies, etc.?—Yes.

6309. And you advocate a sort of propaganda?—Yes.

6310. Assuming that customs could be changed by propaganda and assuming that they do not spend extravagantly on ceremonies, do you think those who are now hopelessly in debt could then be brought within the fold of successful farmers?—I doubt very much.

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6311. In that case your proposal is not feasible?—My proposal is for hopeful cases.

6312. Speaking about secondary occupations do you think it desirable that occupations should be such as might be done for six months out of the year and within the village?—I think, if I am right in understanding you, you mean some sort of organization of factory work. It may give work, but how are you going to market the goods and where are you going to market them? I am entirely thinking of a subsidiary occupation for his own use and local village use and not for export. Of course, there are possibilities in certain lines where you may export; probably lace work is very much developed in Madras and they are exporting it.

6313. If you agree in the first point of view that in the interest of agriculture as far as possible during these six months of unemployment the man should not be weaned out from his farm, how would you manage these works?—It is not necessary that all these six months he will be free. Sometimes he will be free for a few hours in a day and at other times you will find him very busy. Excepting a certain number of days when he will be free for a few hours, for the other days he will be busy. Now on these occasions if he can have a simple occupation, say dairying, which I do not consider separate but I consider it a part of agriculture, or if he can prepare cloth for himself or weave skilfully or have any other handicraft which may have some market that is not outside India. I would supply first to the Indian market. Of course he will want an organization and all that he can make something out of it. He can supplement his income.

6314. Which would be a more serious difficulty, that is to say, skill for production of cloth at a reasonable price or is it a question of marketing?—There is no question of marketing, because here the question is of getting something for his labour. He is not there as an actual labourer or living only on his business of handicraft. The question is of getting something for his labour.

6315. Do you not realise that if a man by going outside his village can earn more he will never care for the industry which you say he can do for a few annas a day during his idle hours?—We will not be able to provide for all the 80 per cent. of men. Let anybody, who wants to go out to earn more, go. All that we have done during these 60 years is we have employed only 10 per cent. of the people into this kind of work.

6316. Do you know that in the census taken for the years 1911-1921, those who have gone out from agricultural occupation are reported to be something like 14 per cent. taking the presidency as a whole?—This is found in the inquiry of agricultural wages. After all, the percentage is very small. It does not matter but it shows people will leave the village if they earn more outside.

6317. But now there is still another factor. There are those who leave the village and have gone out of agricultural labour to factory labour or other labour, which is much more than 14 per cent.?—How do you then get 70 per cent.?

6318. They are still half agriculturists for the six months?—I know some farmers who themselves have gone to Ahmedabad, but those who have any chance of making their living in the villages generally do not like to go there. Even if we put the percentage that go out at 14 or more it still touches a very small portion of our population.

6319. You have a great deal to do with dairying on modern lines?—Yes.

6320. As a bigger industry for cities and not as a smaller industry, has it any scope?—This is a very difficult problem because it is a question of organization in

villages and there are certain difficulties in its way. First of all you have to collect pure milk from small farmers.

6321. But can you not have a dairy on modern lines on a bigger scale to supply for cities like Surat or Broach?—Of course milk is produced round about Surat.

6322. If you have finance, as you say you have, and if you with your knowledge of modern dairying can arrange an organization in Surat city, do you not think that you would give employment to a lot of villagers round about the city?—It will not be employment but they will get more money, but this organization is itself not easy to bring about.

6323. What are your difficulties?—We have to collect pure milk, and secondly, it has to be cooled or pasteurized and then it should be sent to the city, but the city people do not want pasteurized milk. They want fresh milk, that is, unheated milk.

6324. Is there this prejudice?—Yes. Besides it involves a lot of capital. You cannot do this business on a small scale to make it profitable. This is a different kind of finance, quite different from the farmer's point of view. This is from a commercial side.

6325. Even then do you mean to say that there is want of that much finance in Surat?—Yes.

6326. You mean capitalists will not like to have a new experiment. Finance will have its own ways?—Yes.

6327. What about poultry keeping? Here suppose you organize it as has been done in Upper Provinces, at least this will give occupation to many villagers?—Now they are using country cocks. If we can introduce improvement and if we can have better cocks we may get a larger production. Country hens are supposed to give 50 or 60 eggs per year per bird and by putting better cocks we can increase the number by 20 or 30. I think there is some sort of organization for marketing eggs by the merchants and I believe they export eggs to different centres such as Ahmedabad and Bombay from Surat area.

6328. Here I am sure either your Department or some other Department can introduce better fowls, would it be a question of finance?—No, not much.

6329. Finance indeed would not be a great difficulty?—No, because it will be on a small scale. It is a question of certain amount of money for introducing these cocks.

6330. *Mr. Buckley*: Coming back to the last question what would be the cost of keeping poultry on a small scale for an agriculturist? Are you thinking of keeping half a dozen fowls or a larger number?—Just half a dozen or a dozen.

6331. As some keep them in their backyard?—Yes.

6332. Would this take a great deal of the time of the agriculturist?—No.

6333. *Mr. Desai*: From your statement it appears that the security offered is not good and that is why they have to pay a high rate of interest?—Yes.

6334. But the supply is there and the security offered is not adequate?—Yes.

6335. Do you not think that the main factor should be to improve the security offered?—Nowadays both the things will have to be improved.

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6336. Do you not agree with me when I say that money is being drained away by the opening of the branches of the Imperial Bank and such of their activities should therefore be discouraged ?—It should be so arranged as to make money available for the rural area instead of taking money out of rural area by such banks.

6337. The Central Cotton Committee in their Report state that in Middle Gujarat the percentage of farmers getting money at a lower rate of interest is nearly 94 per cent., is it so ?—Yes.

6338. From this it follows that the supply is quite sufficient ?—Yes, the capital is there. However, I am told that these people have enough debts. I do not know how far this statement is true.

6339. *Professor Kule* : You have given Rs. 10 per acre as the amount of capital required for cultivation. How will you analyse this sum of Rs. 10 ?—We have lent out money for a number of years to cotton growers in Surat district and the actual figures came to Rs. 10 per acre.

6340. What does this include ? Does this figure include seed, manure and other things of this sort ?—I am afraid that a certain portion of this money is being utilized by the people for payment of assessment as well.

6341. Does this sum include Government assessment ?—A part of it includes Government assessment because they borrow money just before the crop is ready and they have to pay assessment before it is ready.

6342. But does this sum of Rs. 10 represent the cost of production ?—No. It represents a part of the cost of production.

6343. What proportion would it be ?—It varies with different crops.

6344. You take cotton ?—It will come to Rs. 40.

6345. Three-fourth of this sum will be possessed by the cultivator himself and only one-fourth is supplied to him ?—Yes. He has a pair of bullocks. Perhaps he has to pay in this case only for the seed. If he wants to buy any grain for cattle, then he has to spend from his capital.

6346. You say on the next page “and the credit equal to another Rs. 10 per acre will be required in addition to Rs. 10”. What is this expenditure ?—This is of a different kind for manuring or anything like that or for better fencing, or if he has well irrigation, this sum is to be spent.

6347. So this extra Rs. 10 represents the interest upon the capital that he will have to spend for improvement ?—I have just taken it as a rough figure per acre including well-digging or for even pumping plant. For irrigated area I have taken Rs. 10 and for dry area I have taken Rs. 2.

6348. Is this based upon any actual experience ?—No.

6349. There is not much of sale of *ghee* here carried on by cultivators ?—There is in the interior. Bardoli for example sells a lot of *ghee*. In Kaira you will not find much *ghee* being sold because there is a net-work of organization for purchase of milk which is separated and cream is sent out for further making in cities.

6350. But this does amount to a subsidiary occupation, does it not ?—You can call it a subsidiary occupation or a part of agriculture.

6351. But this subsidiary occupation will supplement the income of agriculturists ?—Yes. It has a vast scope in Gujarat. A lot of *ghee* is produced. In fact

Ahmedabad and Kaira produce fodder crops. In fact nowadays the complaint is that a certain public do not encourage the collection of milk. Some people do not want this to be encouraged as they allege that the people do not drink any milk as all will be exported.

6352. Do you think that there is a very great possibility for home-weaving as a subsidiary industry? What has been the experience of the last ten years?—At least in Gujarat I am very doubtful unless they take to it on sentimental grounds or on national grounds. In some villages by propaganda they are doing it, but to what extent it will continue under the present circumstances is to be seen, but every chance should be given to this.

6353. Do you think that apart from sentimental or other grounds, as an economic proposition it will be successful?—As long as they can afford to do it they will do it. That is the unfortunate state of affairs amongst the current people.

6354. Do you think that it will be advantageous if the subject of spinning and weaving is introduced in middle schools?—I have come to this idea after my study on the subject of skill of Indians, and I personally think that we can study a lot from the old country, China.

6355. What kind of subjects do you propose to introduce?—In all the Central Europe they have many subjects. I do not particularly say that you should have only weaving or spinning. There are several handicrafts and the masses can be trained to be skilled workers in some of these and can earn something.

6356. You say that there is some migration of agricultural labour. Is it outside Gujarat or to Ahmedabad?—They may go to Ahmednagar, Bombay or to near cities.

6357. But is the migration on a large scale?—I could not answer this question unless I depend upon statistics, but I think it cannot solve our problem.

6358. What we want to know is to what extent it relieves the pressure upon agriculture?—It will be very little because the percentage of people who have still to find their living from agriculture is very large.

6359. *Mr. V. L. Mehta*: You say that in respect of finance there is difficulty in Gujarat only amongst what you call the "backward class"?—And perhaps amongst the hopeless type of farmers also.

6360. Leaving aside the heavily indebted people, what would be the proportion to the total population of the backward classes—I do not mean only the aboriginal tribes?—I say that the *koli* class is one class.

6361. What proportion would they be to the total population of agriculturists in Gujarat?—It varies. They are fairly large in Panch Mahals and Kaira. In Surat I could not tell you about them.

6362. In most of the districts do they form a substantial proportion of the population?—In Ahmedabad, Kaira and in Panch Mahals they form a fairly large number.

6363. Are all the tractors, you have spoken of, owned by individuals?—Yes.

6364. Do you think that there are any possibilities of introducing tractors which can be used by people in common?—They use for a limited purpose, that is, when they want to open out the land and when there are weeds, but not for general cultivation. I think for these two limited purposes it is used.

Mr. B. S. Patel.

6365. Do you not think that if financial facilities are available, smaller people might take to them on a joint basis?—I do not think so.

6366. Are there any other special improvements suggested by the Agricultural Department which are not taken up by people because of lack of facilities?—As far as I know, there is not much except oil engines and pumps.

6367. *The Chairman* : As regards tractors, are there any people who hire them out?—There are one or two people who want to push them and they do this work as a part of their business.

6368. *Mr. V. L. Mehta* : You refer somewhere in your note to the necessity of having business experts for sale societies?—I personally think that our co-operative work has been more of credit than non-credit and this may be due to many causes. In the case of sale societies, wherever they have been run by an efficient management, they are successful.

6369. Do you think the appointment of one expert for a union of co-operative societies will be of any use?—It will be useful in the initial stage. He will be able to train up a number of men. When I say this, I have at the back of my mind Ireland, where I spent a number of months for going into details of co-operative dairying. They have dairy experts who advise them on this point. My idea is to have an expert for a certain number of societies.

6370. And not an expert for each society?—No.

(The witness withdrew.)

Rao Saheb VANDRAVAN C. JADAV, B.A., Banker, Surat.

Replies to the Questionnaire.

SECTION I.

QUESTION 2.—At places where there are branches of Imperial Bank, there is a great convenience to exporting houses or their agents to have their demand bills on Bombay discounted on easy terms; but at other centres great inconvenience and hardship have to be encountered.

The bankers in the interior have to depute their men to different places to get silver coins for which they have to pay a heavy premium. These coins have to be taken by rail to the different railway stations and also in the interior. Agriculturists are not able to detect forged currency notes and so they always insist upon having silver coins. In the *taluka* treasuries, Government receive silver coins in payment of land revenue, but they rail these coins to the district headquarters; and the bankers of the *taluka* towns have to wander in search of silver coins, because the merchants at *taluka* towns require silver coins very badly for making payments for cost of agricultural produce. If an arrangement can be made whereby Government may not have to remit the surplus cash balance from *taluka* treasuries to the district headquarters, the question of internal remittance will be solved to a great extent. I, therefore, suggest that demand bills payable at Bombay or at district headquarters should be cashed at par at *taluka* treasuries, from those co-operative banks that have lodged security with Government and got a limit for this purchase sanctioned. On account of this arrangement, Government will

be spared the trouble and cost of remitting their surplus cash from *taluka* treasuries to district treasuries ; and the *mofussil* merchants will be able to get cash in the interior from the co-operative banks. Besides the cash in the *taluka* treasuries consisting of silver coins, etc., will be quite welcome to the merchants, who will be able to pay through co-operative banks to the agriculturists or *mofussil* money-lenders, in the currency that they require. The agriculturists and *mofussil* money-lenders will find that the co-operative banks are always able to pay in the currency that they demand and consequently they will be inclined to keep their moneys with the co-operative banks until such time as they require the same. Thus deposit banking will also be developed in the interior and the dearth of currency which is always experienced, at the time when crops are removed, will be eased to a great extent. A heavy premium that has to be paid for silver coins, at interior places, will also disappear. It will, therefore, be to the interest of Government and will also help in the national economy, if the balances of *taluka* treasuries are liberated for the use of co-operative banks.

QUESTION I.—ADEQUATE PROVISION OF LONG-TERM CREDIT AGAINST SOUND SECURITY.—Poor though we are in short-term banking facilities, we are poorer still in long-term credit. Our joint stock banks are modelled on British standard, and in Great Britain there are a number of underwriting houses that are prepared to provide long-term capital for industrial purposes ; consequently joint stock banks in Great Britain have not to undertake long-term finance. The situation is different in India ; and consequently banks in India, whether joint stock or co-operative, will have to take up long-term business if they want to be really useful to their clients.

The usual practice with banks in Europe is to make such advances on demand promissory notes, so that in case the management is not satisfied with their customer at any time, they can bring pressure on him to reduce his indebtedness. Three months acceptances are also taken up for such advances, and renewals are given at the end of every three months. This practice is also current amongst people's banks in Germany and is well worth being followed by joint stock and co-operative banks in India. Advances are there made on three months bills and renewals are pretty freely granted. Credits have been renewed there with perfect safety, the security being good and to the bank's benefit, for ten and even twenty years.

Mr. Darling in his book 'Co-operation in Germany and Italy' writes :—“ It is a fiction of modern banking that joint stock banks do not make long period loans, *i.e.*, loans for over a year. It is true that they will not be made for more than six months or a year, in the first instance, but if the security continues good, they will be renewed again and again. In this way loans may run on for twenty to thirty years.”

Some limit must, however, be put on such type of business and if the policy of not accepting such business beyond a certain limit, say one-fourth of working capital, is accepted, there will be hardly any trouble on account of this long-term business. I would, therefore, suggest that both joint stock and co-operative banks should undertake long-term finance within certain reasonable limits.

SECTION II.

Indigenous bankers of this city do all that is expected of a banker in modern times, except that they do not allow drawings to be made by cheques, but instead, make payments to the account holders personally or honour their written orders conveyed by a note. They open drawing accounts and in these accounts they allow overdrafts

to merchants and manufacturers. They also finance the dealers in agricultural produce, by acting as their bankers and honour their payment orders conveyed by letters and receive from the dealers *hundis* which they draw on the exporting houses for whom they are acting as agents. Thus they also finance agricultural produce only for a couple of days until the railway receipt is received. On receipt of the railway receipt, the dealers are able to draw demand drafts on the exporting houses and the indigenous bankers' dues are paid by these drafts being credited into their account. These bankers also purchase and sell *hundis* on Bombay and other principal places of business and thus they are able to handle some portion of inland exchange business.

Similarly these bankers also allow overdrafts to shop-keepers dealing in cloth, house-building materials and other articles required for local consumption. They mostly give them short-term credits and require the shop-keepers to pay into their account their daily cash balance, and thus the debt is to be paid off, in course of about one month, when a fresh advance will be made to them for sending a remittance to Bombay, for cost of purchases made from there.

They also accept deposits in current account and interest is allowed on daily balances at a rate of interest varying from 3 to 6 per cent. Fixed deposits are also received by them. Being very well known in their district, they were getting large amounts of deposits and sometimes these were free of interest. Indigenous bankers in *taluka* towns also work on the same lines.

In this way an indigenous banker does all that is done by a modern bank. The difference between the two is in the volume of business, and publishing of accounts. A joint stock bank has much larger operations and is publishing its accounts twice a year. This creates greater confidence in the minds of the public. The result of this has been that the indigenous banker is losing his deposits and is being driven out of the field by the joint stock banks, exchange banks and the Imperial Bank. Thus we find the number of indigenous bankers being reduced from year to year.

If Indian joint stock banks were occupying the field of indigenous bankers and were rendering the same assistance that indigenous bankers were rendering in financing local trades and industries, I would not have been sorry for the change ; but the fact is otherwise. Joint stock banks open branches with the principal object of collecting deposits from local centres and passing them on to the head office. Thus money is being drained away from *mofussil* stations, and the industries of these places, therefore, get languished.

The only service which joint stock banks in *mofussil* towns render to the local people is to handle a portion of their remittance business, and develop deposit banking.

The Imperial Bank is acting in no better way in the *mofussil* towns. It does make some advances but the proportion of advances to the amount of deposits collected by it at *mofussil* towns is quite negligible, and the result of all this has been that the trades and industries of *mofussil* towns are famished for want of adequate financial accommodation. The public do not get any idea of the working of these banks at *mofussil* towns. They cannot know what amount of deposits have been received by these banks at the *mofussil* towns and what amount has been loaned out, with the object of fructifying the local industries. If these banks are compelled to publish these figures at the *mofussil* towns, the public will get a real idea of the doings of these banks. As at present people are lured by the big figures of share capital and working capital which the balance sheets of these banks exhibit they are thus induced to deposit with them in preference to indigenous bankers. The result is obvious. The indigenous banker is fast dying out

and the joint stock banks, exchange banks and the Imperial Bank are occupying the field of collecting deposits and utilizing the same in the Presidency towns, with the result that the local industries are fast dying out.

The district central co-operative banks are to a certain extent just like joint stock banks. They have also been getting large amounts by way of deposits. It is true that they have to utilize the amounts thus collected for the benefit of their district, but the development of their loan business is very poor and, consequently, a good portion of the moneys collected by them have also to be sent to Bombay, sometimes as deposits with joint stock banks and usually in the Bombay Provincial Co-operative Bank. The Bombay Provincial Co-operative Bank is also faced with the same difficulty and the surplus funds of district central banks passed on to the Bombay Provincial Co-operative Bank are mostly utilized in short-term deposits with joint stock banks. This is because the village Co-operative Credit Movement has not been developed fully and on right lines.

Similarly the urban people's banks have been able to attract deposits, but they have not as yet been able to develop the loan business. The bye-laws of some of these banks allow them to deal with small men for small business only ; while in the case of those banks whose bye-laws allow dealing with bigger merchants, traders and manufacturers, this assistance rendered to bigger men is viewed with great disfavour in the co-operative circle.

The result is that even the co-operative urban banks are playing the same role as the joint stock banks in attracting deposits and not meeting the needs of local merchants, traders and manufacturers. Complaints are often made by the local merchants that there is hardly any difference between a joint stock bank and a co-operative urban bank inasmuch as both of them do not give any assistance to them, but moneys are drained from *mofussil* towns to the Presidency towns.

The result of all this has been that financial assistance is curtailed for local trades and industries, and consequently, even the agriculturists are worse off, on account of the indigenous banker being driven out of the field, and no suitable agency having taken his place.

However, so far as the Imperial Bank and joint stock banks are concerned, at places where these banks have their branches, they are co-operating with some of the indigenous bankers and *shroffs* whose endorsement they generally ask for before they discount demand *hundis* or usance bills. The only difficulty is that these banks do not care to interest themselves much in helping the local trades and industries ; while on the other hand the co-operative banks consider that they are out to eliminate the middlemen and so they are holding aloof from indigenous bankers ; consequently this important class of businessmen, thinking that they are not likely to be helped by co-operative banks, take very little interest in the development of the Co-operative Movement, and there is hardly any co-ordination between indigenous bankers and co-operative banks.

If we remember that it is very risky to deal with small men, we should not mind dealing with indigenous bankers who will be prepared to take greater risk and will work hard to recover their dues but will undertake to finance whom the co-operative banks will fight shy to help. Therefore, at places where the Imperial Bank and joint stock banks have not got their branches, and where it is not possible for them to open their branches, it should be considered to be the duty of urban co-operative banks to co-ordinate with the indigenous bankers and finance such men, as are not eligible for being financed by the co-operative banks or who do not care to deal with them.

Rao Saheb V. C. Jadav.

In spite of the present position being rather unsatisfactory, I have great faith in the future of the Co-operative Movement—specially co-operative banking—and am quite confident that in course of time, we shall be able to evolve a system whereby the indigenous banker will be absorbed in the working of urban people's banks and will be rendering great assistance in the development of these banks. I see a great future for the urban people's banks movement, and am quite confident that in course of time the Co-operative Department will be persuaded to give greater latitude to urban people's banks which will be allowed to handle any type of safe business that is likely to develop the country's resources.

Both the Imperial Bank and joint stock banks should take greater interest in the development of local trades and industries, and should finance the merchants and manufactures through the indigenous bankers. At places where joint stock banks have not got their branches or where joint stock banks are not prepared to take up this work, it will be the duty of urban people's banks to finance the local trades and industries, either directly or through the indigenous bankers.

The indigenous bankers should be registered and should publish audited balance sheets once a year, and they must receive every kind of assistance from other banks, joint stock or co-operative. The audited balance sheets of indigenous bankers must be accepted by the Income-tax Office and their accounts should not be ransacked with the object of finding out the names of their depositors.

Besides the bankers described above, there are also money-lenders and *sowcars*, whose ways of working are not quite what they should be. They charge exorbitant rate of interest and make various kinds of levies on their constituents. Their account books are not quite reliable. It is quite desirable that these money-lenders should give pass-books to their constituents and they should record all their transactions in the same. In the interest of poor illiterate people, there must be some check on the dealings of these money-lenders.

QUESTION 4.—HUNDI BUSINESS.—Commercial bills or trade bills though common in Presidency towns, are not common in *mofussil* towns. The *mofussil* merchants are not accustomed to accepting *hundis* and making regular payments of same; consequently, for goods supplied to them, the dealer is compelled to give credit, and he is not himself able to make his dues liquid. Further business is, therefore, very much hampered, as the dealer has only to rely on open credits that he may be able to secure.

Banks in *mofussil* do not care to develop *hundi* business as their main function is to collect deposits from *mofussils* and pass them on to Bombay, where they can profitably utilize their funds without making any special exertions.

Besides usance bills have to be written on stamped paper, and therefore, in order to avoid payment of stamps, the merchants are using various methods, whereby the debts are not easily negotiable and are not therefore in a liquid form. Post-dated bills are not uncommon. Similarly mere receipt forms, acknowledging the receipt of moneys which are called *purjas* are very often resorted to. If stamp duty on usance bills is removed, people will resort to drawing *hundis* in a standard form, which will be very popular and will easily pass on from hand to hand and will thus serve the purpose of currency. But the main difficulty about developing of *hundi* business is to induce people to draw and accept the same and pay them regularly on due dates. There are no associations amongst the merchants dealing in different kinds of raw commodities or manufactured goods, and there is no one to make them work on organised lines; while there is a great competition

amongst merchants dealing in manufactured goods, and so the necessity of pushing on the sales is very great, and the result is that goods are despatched on open credits. All efforts to induce the outside dealers to accept *hundis* drawn on them by the exporting merchants fail and the latter are not co-operating amongst themselves to frame rules for the conduct of their business ; so they have to give the former open credits and arrange for their own finances by paying heavy rate of interest or by curtailing their business. This method must sooner or later end or else it will not be possible to develop industries in India. Barring the Presidency and other very big towns, inland export and import business is not being financed by trade bills ; (I mean usance bills and not demand bills) and it should be considered to be the main function of every bank or banker, joint stock, co-operative or indigenious, to induce merchants, dealers and manufacturers, to take to this important method of financing their business operations.

(1) VII.—RE. EXEMPTION FROM INCOME-TAX TO GENUINE CO-OPERATIVE BANKS.—The incidence of income-tax levied on co-operative banks on profits derived from outside the Co-operative Movement is a great hardship to co-operative banks. Co-operative banks are compelled to employ outside the Movement such of their funds as cannot be employed within the Movement. They are also compelled to purchase Government paper and such other securities in order to arrange to keep sufficient fluid resources. The whole of the income derived in this way is charged by the Income-tax Department ; but the whole is not the profit made by these banks. The actual profit can be arrived at by deducting from the amount earned in this way, the amount of average interest paid on deposits received by the bank. Co-operative banks earn half a per cent. to one per cent. net on such investments outside the Movement ; and if they have to pay income-tax at the rate of one anna per rupee ; on the gross interest earned from outside the Movement, they will be actually paying as income-tax, five annas per half a rupee or one rupee of their net income from the outside source.

I shall explain this more clearly.

If a co-operative bank gets deposits at an average rate of 4 per cent. or $4\frac{1}{2}$ per cent. and earns 5 per cent. on its investments in Government paper, and if the scale on which it is charged income-tax is one anna per rupee, it will have to pay five annas on every Rs. 5 earned as interest on Government paper, while as a matter of fact it has earned only half a rupee or one rupee, if the amount of interest it has to pay on its deposits is taken into account. Thus it pays five annas for every half a rupee or a rupee earned by it.

This incidence is very hard and comes in the way of co-operative banks developing deposit banking even by investing in Government papers.

(1) VIII.—Lending business is very much curtailed by the operation of Indian Stamp Act which makes understamped demand promissory notes and bills of exchange inadmissible in a court of law, and therefore, the whole transaction becomes null and void. A heavy penalty for an understamped document will have some meaning, but declaring the transaction resting upon an understamped document, to be absolutely unsustainable at law, benefits neither the Government nor the people but merely helps the debtor in escaping from his liabilities and deprives the lender of his just dues, and thus credit is very much curtailed and people are encouraged into hoarding moneys and not lending them to others.

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Similarly the operation of Limitation Act is instrumental in curtailing credit. If a person files a suit after the period of limitation has passed, it will be equitable to provide that no interest will be allowed after the period of limitation has passed. The Act may further provide a heavy penalty or higher court fee stamp in such cases, whereby Government may be benefited; but there is hardly any sense in allowing a man to escape the payment of his dues, merely on the ground of limitation. It is needless to reiterate that such Acts of Government are coming in the way of development of credit and a great distrust is created in the minds of people who naturally prefer keeping their moneys in gold and silver rather than risking even their principal amount, by lending it to others.

INSOLVENCY ACT.—This Act is also at times resorted to in a dishonest way, so much so that the vernacular expression *devalu* is considered equivalent to *dudhewalu talianu taju*. Before insolvency petitions are filed, properties are often transferred or sold to friends or relatives for bogus debts created and after the insolvent gets a discharge, in due course, he is once again seen enjoying all luxuries which his hidden wealth can purchase. Credit is, therefore, very much curtailed.

If law provides that even discharged insolvents will have to pay to their past creditors at the rate of eight annas in a rupee of the principal amount of debt on the date of insolvency, should their position improve any time in their life-time, the number of insolvency petitions will be very much decreased and a good many of the debtors will try to make compromise with their creditors and thereby the distrust amongst people will be very much lessened.

SECTION III.

QUESTION 1.—Those persons who do not take interest on their moneys are willing to take rent on lands and buildings. They are also prepared to share in the profits made by a business undertaking which does not dispense credit but merely trades or earns commissions. If investment trusts are formed, such persons will also be willing to hold shares in investment trusts which may be promoted to purchase shares in industrial undertakings. Arrangements can be easily made to interest these persons to make investments in one or all of the above types of concerns much to the benefit and development of the country's resources.

Before the advent of the British, in India owing to instability of Government, the people had no other go but to hoard silver and gold or to purchase land. Since the last seventy-five years we have no doubt secured stability of Government; but the currency policy of Government is responsible to a great extent, in not inducing the people to give up their age-long hoarding habit. The silver coins which are current in the market, are mere token coins and have the intrinsic value of only half the amount they represent. There is no gold currency. People know that they can have as legal tender money, either paper currency or token silver coins, but they cannot get gold coins in exchange for these from any Government treasury or Government bank. Consequently the illiterate people who possess money, though the number of such people is very small, think of nothing else but to purchase land or to hoard silver and gold.

The distrust amongst people has also not been removed and the various Acts of Government such as the Dekkhan Agriculturists' Relief Act, Indian Stamp Act, Limitation Act and Insolvency Act, which make recoveries of advances difficult and at times even impossible and which are instrumental in making the just claims unsustainable in

a court of law, are responsible for the present state of affairs. Credit is not, therefore, developed and so the people do not give up the habit of hoarding gold and silver. There is naturally, therefore a desire to purchase land.

If Government were to declare gold sovereigns as legal tender and were to open mints for gold coins and if suitable amendments are made in the Acts which are at present in favour of borrowers, and just protection is given to the lenders, people will gradually give up their hoarding habit and these moneys will be freed for industrial development.

QUESTIONS 3 AND 5.—Except in a few big towns, there are hardly any facilities for purchase and sale of securities in banking, commercial and industrial undertakings. Bigger people can come in touch with reliable brokers in Bombay ; but those who have to make small investments fall into the clutches of unreliable and unscrupulous brokers through whom they lose their moneys. With a view to give a push to the above types of undertakings, and to find out capital for the promotion of well-conceived companies, it is necessary to have some reliable houses through whom people can make investments in such concerns. A certain percentage of commercial and industrial concerns are likely to come to grief and investments made in these are likely to be lost. If small investors lose their hard-earned money, they get nervous, and such investments are then shunned. This comes in the way of finding capital for commercial and industrial undertakings. The best method to avoid such catastrophes would be to promote co-operative investment trusts through which small people can make investments, in various joint stock companies and co-operative societies, so that instead of twenty eggs being in one basket they can have them distributed in twenty baskets. I have read a little about such investment trusts, and am very much in favour of same being promoted in this Presidency. So far as Surat is concerned, we have a very large number of people interesting themselves in shares of commercial undertakings and a very large number of them will be quite willing to join such a co-operative investment trust, if one is organized for Surat district.

QUESTION 4.—As at present, the major portion of the banking business in India, is in the hands of exchange banks and banks manned by non-Indians as managers. A very small percentage of the Indian people can sign in the English language. This percentage is hardly 3 per cent. of the total population. English education amongst women is on a much lower scale. In spite of this, it is a pity that most of the banks, manned by non-Indians as managers, require that the vernacular endorsements of men as well as women must be verified before a magistrate before the cheques bearing these endorsements can be paid. Some of these banks are kind towards men, whose endorsements in vernacular language are acceptable to them ; but the days of chivalry having gone, they are not willing to extend this courtesy to women, and vernacular endorsements of Indian women must be attested before a magistrate or a Justice of the Peace or by two witnesses known to the bank, before such cheques can be cashed. One fails to see which sections of the Negotiable Instruments Act or which banking principles require this. Unfortunately for us, we have very few banks having Indians as managers ; and consequently, these European managers are not yet feeling the business pinch of learning at least one vernacular language, with the object of giving facilities to the public. As banks are public institutions, it is high time there should be some legislation compelling banks to engage at least one officer who knows the vernacular of the district and who will be authorized to pass cheques bearing vernacular endorsements.

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Illiteracy of the people is responsible to a great extent in not developing the cheque habit. Some of those people who are classed as literates, do not know how to make correct endorsements on cheques, and therefore, their signature or endorsements on cheques have to be returned unpaid by bank officials. This creates a great antipathy and heartburning towards the banks and such people are afraid of having any dealings with them. If the rule "once a bearer always a bearer" is accepted in honouring the cheques, bearer cheques will gradually be as current as currency notes.

Oral Evidence.

6371. *The Chairman* : Rao Saheb Jadav, you are the Managing Director of the Surat People's Co-operative Bank, Ltd., and a District Honorary Organizer, Co-operative Societies, Surat ?—Yes.

6372. By profession you are a banker ?—Yes.

6373. Do you do purely banking business or do you do other business as well ?—I do business on the lines on which joint stock banks do business at present, but on a very small scale.

6374. You do not do the business of an indigenous banker ?—No.

6375. What is the difference ?—Indigenous bankers generally give open credits.

6376. Do not indigenous bankers here do *hundi* business ?—They do demand *hundi* business and not usance *hundi* business.

6377. But did they do it before ?—I think this business was going on before when there were more *shroffs* and their paper was current.

6378. Now the number of *shroffs* has gone down ?—Yes, and the money also has disappeared. The *shroffs* have not much money now. Formerly they used to get good deposits. Now they do not get enough.

6379. Why is that so ?—Because there are postal savings banks, there are the cash certificates and there are joint stock banks ; most of the cash goes to these places, and *shroffs* do not get enough money.

6380. Is it because the rate on deposits offered by *shroffs* is appreciably less than what these other agencies offer ?—I think the publishing of accounts by joint stock banks and the status which Government itself holds, gives them a much superior claim to get deposits.

6381. But many *shroffs* are of very long-standing ?—Yes, but their accounts are not published. Looking to the history of *shroffs* in Surat we very often find that a *shroff* himself might have established a firm, but his son does not come up to the mark, and of course, the business goes down and his son's son is worse off. So after two or three generations we generally find that the successor is not as clever as his predecessor. Therefore the business goes down.

6382. That means in the case of indigenous bankers it is only the personal factor that comes in the way ?—Yes ; it is one of the factors.

6383. It is not an organization ?—No. And in these days of organizations we want a trained banker to manage the firm and not the proprietor's son, even though he may be capable.

6384. In the *taluka* places indigenous bankers are still predominant ?—No. Deposits from *mofussil* are passing to mercantile banks.

6385. How do they deposit their money ?—Through some agents.

6386. Do not many of these indigenous bankers trade on their own capital?—Yes; they trade on their own capital but it must be a limited business. One's own resources are bound to be limited.

6387. Has the capital for financing trade in *taluka* places considerably diminished?—Yes, and there are also various other factors, over and above this. The *shroff's* business on the whole does not pay owing to the litigation charges and difficulties arising out of the Insolvency Act, the Limitation Act and such other difficulties in Civil Procedure.

6388. Even in the case of finance for trade?—Yes, because they are financing on open credit and they do not take any security and so they have to file suits to recover their dues. When I recently went to Pardi and Chikli to organize an urban co-operative bank, the *shroffs* there told me that it would be very good for them if an urban bank were organized, and they would deposit their money in the bank and would be content with earning six per cent. interest.

6389. You have heard about the other proposal to give an agency of the Imperial Bank or the Reserve Bank to some individual indigenous banker or a group of indigenous bankers to do their work in *taluka* places?—This will be a good thing. I would not oppose it. Of course the co-operative system has its own ways, but all cannot be monopolised by co-operation; and in the interest of the development of the industrial resources of India, all these methods may be tried.

6390. Would you entrust the agency work to an individual indigenous banker?—Yes, provided he is registered and his accounts are audited.

6391. Would you like these indigenous bankers do their own business at the same time?—If they expect to get enough business from the Imperial Bank as the agents of the Bank, they should not be allowed to do their own business. But, I am afraid, they would not get enough business to make both ends meet.

6392. Do you not think the two interests would clash?—They would clash to a certain extent.

6393. In places where such indigenous bankers cannot be found, do you think that the urban co-operative bank would be able to work?—I think so, provided certain restrictions imposed on the bank are taken away, and sufficient latitude is given to these banks.

6394. In your note, you refer to certain difficulties of the bankers in the interior, and you point out two chief difficulties, *viz.*, difficulties about discounting *hundis* and payment of silver coins. Are there no facilities for discounting and selling *hundis* in the *taluka*?—No; they have to go to district headquarters.

6395. Even in a place like Bulsar?—They have to go to Surat. There may be one or two *shroffs* in Bulsar who may discount *hundis* to a small extent. The discounting of *hundis* and giving of silver coins go hand in hand. In encashment of the *hundi* the merchants want silver coins, because they have to make payments in silver coins.

6396. Are there any *taluka* treasuries here where arrangements are made for discounting drafts?—I do not know.

6397. Do you want arrangements of this kind to be made?—Yes; such arrangement may be made with a co-operative bank or a joint stock bank or an indigenous banker, provided they have made arrangements with Government by lodging securities. In my note I have claimed this concession for co-operative banks, but I would add the other institutions as well.

6398. Are there no facilities about supply bills?—That facility would be no good. The bankers must be in a position to discount their *hundis* to the extent they want on a particular day.

6399. Does not your suggestion practically amount to this, that these banks should give long-term loans though they receive short-term deposits?—It is not like that. We advance money on certain securities, and the arrangement is that if the business of the party is sound, and if the bank is satisfied, and if the bank itself is in a position to continue the arrangement, it may do so.

6400. He may have locked up that amount in some long-term loan?—It is on security that he has borrowed and not on personal credit, and therefore, he can lodge that security somewhere else, if necessary.

6401. How much will you advance on the security?—From one-third to half the value of the security.

6402. How many firms of indigenous bankers are there in Surat?—There are nine firms here, some of whom are pure bankers, and others are *choksis*, who are doing banking business as well as dealing in gold and silver ornaments.

6403. Do they get deposits?—Yes.

6404. In your note, you say something about financing for a couple of days until the railway receipt is received. What actually happens?—Most of the cotton merchants have made arrangements, say, with the firm of Fakira Keshavji for honouring their *chithi*. So whenever a commission agent selects his cotton and sends it to a merchant in Bombay, he would order the firm of Fakira Keshavji to pay the agriculturist. Fakira Keshavji would pay the agriculturist and debit his account. As soon as the railway receipt is received, on tendering it to Ralli Brothers, he would get a draft on Bombay and this draft would be handed over to Fakira Keshavji, who would recover money at Bombay. Since the closing of this firm, the Imperial Bank has practically got the monopoly of the whole business. *Shroffs* are not able to do this business as they cannot compete with the Imperial Bank.

6405. Would it be a credit transaction?—Yes, giving credit for one or two days.

6406. Is there no necessity for such credit?—Now that the credit is not available, people are not making use of it.

6407. Does it mean that the agriculturists are not paid immediately?—Yes, sometimes they have to wait for payment for some time.

6408. According to you the difference between the indigenous banker and the joint stock company is in the volume of business and the publication of account. Is it not?—Yes, one does not publish the accounts, while the other does it.

6409. Do you think that indigenous bankers would agree to publish their accounts?—Those who would agree would be given concessions. Those who are registered must be accepted as *shahjogs*.

6410. Is it to be done by legislation, or is it a question for the commercial community itself?—So far as the payment of crossed cheques is concerned, when a crossed cheque is sent through a registered banker, the amount should be paid to him at the counter. It would be a great concession. At present *shroffs* have to hand over cheques to the joint stock bank, but as soon as the banker is registered, all cheques would pass through him, and for this purpose the Negotiable Instruments Act must be amended.

6411. You say that money has been drained away from *mofussil* stations. Has it affected the business of indigenous bankers?—It has practically killed his business.

6412. Since when?—Since the introduction of the postal savings banks and postal cash certificates and promotion of joint stock bank.

6413. Was there not a drain before that?—Just before that there was no stable Government, but when everything was becoming stable, this drain began.

6414. What is the class of people who put money in the savings bank?—I find even peons, salary earners, weavers and people who earn hardly Rs. 25 or Rs. 30 per month are putting some money in the savings banks.

6415. You say that the bye-laws of the Urban People's Bank allow them to deal with small men for small business only. Do you mean that the limit up to which advances could be made is small?—Yes.

6416. Could not that limit be increased, if the funds are enough?—You cannot get funds unless the rules allow bigger people to come in and get benefit. At present bigger people discard the bank, because they cannot be helped by the bank.

6417. Can your urban bank not advance the necessary amount?—My urban bank can advance any amount on security.

6418. Is there no limit?—No; but we have recently restricted lending to one individual in proportion to our working capital.

6419. Speaking about the Imperial Bank and joint stock banks, you say that the banks do not care to interest themselves much in helping the local trade and industry. If it paid them to finance these industries, they would do so. Does it not mean that it does not pay them?—All business require some propaganda and some exertion. In the *mofussil* the moral backbone of businessmen has run down. If, therefore, some exertions are made, the joint stock banks would be able to take up some business on safer lines; but they do not exert in that direction. As they have an easy way of making investment in Bombay, they get instructions from Bombay to remit money to Bombay. Besides, Bombay people are not interested in the *mofussil* trade and industry, and the bank agent, who is sent here, does not carry much weight with the Bombay directors.

6420. You say that the Imperial Bank and joint stock banks should finance local trade and industry through the indigenous bankers. If the indigenous bankers have credit, can they not get advances from the bank?—The whole method of working the joint stock bank is such that people in the *mofussil* are not ready to adopt this method, and it is on that account that the indigenous bankers are not going to the bank.

6421. What is the method?—The merchants must draw the *hundi*, and it must be endorsed by a *shroff*.

6422. Are indigenous bankers accustomed to this *hundi* business?—The merchants are not prepared to draw and accept *hundis*. The *shroffs* are able to do demand bills business, but they are not able to develop usance bills business.

6423. Is it not because there is less confidence that the usance bills have gone out of existence?—There is confidence. We have the *purja* system. The local *zaveris* used to get large loans on *purjas*. *Purjas* are simple receipts for money. No date is put therein for repayment. The date of the receipt of money is put. The receipt would be like this: "I have received from such and such a man so much money." And the

nternal arrangement is that it is to be paid in two months. This is done possibly to avoid the stamp duty. I have seen ladies also dealing in such *hundis* in Surat. I may add that the other day the Manager of the Bank of India came to Surat to open a branch here. I said, "I would not wish your bank to open a branch in Surat because you would take away our money". And he said, "Our idea is changed. We would make investments in local industries and trade." I said, "Then, we would welcome you."

6424. What distinctions do you make between bankers and money-lenders?—Money-lenders deal on their own account, and they seldom get deposits. I distinguish them from indigenous bankers who are working on the same lines as a joint stock bank does, whereas the money-lenders do the business of money-lending only.

6425. Speaking about *hundis*, you state that people sometimes do not pay *hundis* on due dates. Do you think that is the chief cause why the *hundi* business is not developed?—Yes. People are afraid that they may not be able to pay their *hundis* on due dates.

6426. Did they honour them before, on due dates?—I have no idea of what they did fifty years ago.

6427. Was there *hundi* business at that time?—Yes, there was. Possibly there was some confidence in the bankers at that time, that the bankers will renew the *hundi*, if necessary, but at present the merchants may not have the confidence.

6428. Is the *hundi* business stopped because *hundis* have not been honoured?—Somehow the *hundi* business is stopped, and it is to be reintroduced. Traders are nervous about accepting *hundis* because they have no confidence in their bankers for renewing the same, if necessary.

6429. Do you think that these banks exact payment on the due dates, and the old *shroffs* used to give accommodation?—Possibly they had greater confidence in getting renewals from the old *shroffs*, and renewals may have to be given. If we read the history of the European banking, we find that renewals have to be given and are being given.

6430. Speaking about the Insolvency Act, you say: "The vernacular expression *devalu* is considered equivalent to *dudhewalu talianu taju*". What is the meaning of the phrase?—To take milk at the dinner is a sign of richness. He, who wants to become insolvent, will have milk for his supper and he will keep his bottom quite sound, before he becomes insolvent.

6431. Do you think, if gold currency were introduced, people would not hoard gold coins?—If the people are convinced that whenever gold is wanted it is available, they will not hoard. For the first few years the gold will be absorbed, but after some years, when people are convinced that gold is available, their desire for gold would be satisfied just like the hunger of a satiated man.

6432. Do the people who hoard silver coins not know that they are token?—They know, but they prefer them to currency notes, as the notes get spoilt, and they lose the whole amount.

6433. In the last paragraph of your note, you say: "If the rule 'once a bearer always a bearer' is accepted in honouring of cheques, bearer cheques will gradually be as current as currency notes". Do you refer to the recent decision of the High Court?—There is some difficulty that the rule is not finally adopted, and the Act requires an amendment on that score. If, therefore, the Act is amended in this way, the difficulty would disappear, and bearer cheques will negotiate more freely.

6434. Do the people who deal in *hundis* accept this view ?—They do.

6435. Are these cheques not liable to be crossed ?—That does not matter ; but the “ bearer ” will remain, and there would be no difficulty of endorsement.

6436. *Mr. V. L. Mehta* : Would you like this suggestion of “ once a bearer always a bearer ” to apply both to cheques and to *hundis* ?—I have thought of it from the point of view of cheques only. I would not be able to tell you what the merchants would feel about it, but I can say this that in *hundis* people have not the difficulties of endorsement as they have in cheques. So the rule “ once a bearer always a bearer ” would popularise cheques to a very great extent.

6437. *Professor Kale* : You can provide for the financing of small industries either through a joint stock bank or a co-operative bank. Would it make any difference ?—Joint stock banks would not finance small industries, because there would not be enough business to pay the expenses of management. In case of co-operative banks the expenses of management would be less, because there would be some honorary workers in the initial stages, when there is not likely to be enough business to pay its way.

6438. Will you not require expert management in co-operative banks ?—Yes, that is why I have suggested that the practice of people’s banks in Germany should be followed here.

6439. Is it your experience in this district that money lying with the indigenous bankers is now utilised more and more for local industries, such as presses and gins ? In some other districts we found that *shroffs* and money-lenders have now turned to development of some local industries and are putting their money in gins and oil presses. Is there such a tendency here ?—Some of our rich men are doing it here.

6440. In your statement you say that local industries are fast dying out. What do you mean by local industries ?—In Surat we have gold thread and silk and cotton weaving industries.

6441. Do you think that they are dying mainly owing to want of capital or because of competition ?—Capital is the main factor, and there is competition too, and there is also want of organization.

6442. *Mr. V. L. Mehta* : You suggest the reviving of the system of usance bills. Has your urban bank made any attempt in that direction ?—Yes.

6443. What is your experience ? Have you experienced any special difficulty ?—At present the manufacturers complain that there is a lot of competition among themselves for the sale of goods. Manufacturers have no organisation, and therefore, they are not in a position to induce the importing firms to accept *hundis* against goods purchased on credit. Unless these merchants are organised, it will not be possible to induce the importing firms to accept the *hundis* drawn by the exporting firms.

6444. Who exactly would do that ?—Merchants must combine. At present they are cutting one another’s throats. They must be organised, and there should be an organisation as in Bombay, and the Bombay Association should take a lead in helping their *mofussil* brethren to form an organisation.

6445. Is there much business being carried on in Surat city proper and in *mofussil* towns of granting advances on the security of gold and silver ?—Yes, we have very large business.

Rao Saheb V. C. Jadhav.

6446. Is it being done by indigenous bankers or by a special type of bankers?—This business is being handled by *choksis*; but recently the Imperial Bank has entered this field and the *choksis* here are very nervous lest they should lose their business. The Imperial Bank has commenced this business since the last year. Formerly it was done by *choksis*, and their business has been very much affected.

6447. Have you any idea of the rates of interest at which these advances are made?—The Imperial Bank, I am told, is doing at one per cent. over the bank rate, and the *choksis* used to charge $7\frac{1}{2}$ to 9 per cent., and they used to charge even 12 per cent. in case of small loans.

6448. Can you tell us from your experience whether the rates were higher or lower 20 or 25 years ago for this type of advances?—Formerly the rate for advances against gold and silver ornaments was 6 per cent.

6449. *Mr. Kamat*: You said that money is being drained away from the *mofussil* stations to the detriment of small industries. What is your remedy to counteract this drain?—The co-operative banks are sure to take up this business of financing *mofussil* trade with the co-ordination of indigenous bankers. My opinion is that this old method of indigenous banking must give place now to the present method of co-ordinated action. We are now in a different world. We have all over the world organised action, and it would not be possible to develop business if the indigenous bankers are not organised. They might merely carry on their business on their slender resources, but if you want to stop this drain, there is no other way but to stand in an organised form.

6450. You say the indigenous banker does all that is done by a modern bank, and on the other hand, you say that he is dying out because of his out-of-date methods. Is he doing the business in the same way as a joint stock bank does?—He is doing it on a small scale. He receives deposits, opens current accounts and grants cash credits, but he is dying out because he is not organised and is not registered.

6451. Would you like these indigenous bankers to be registered?—Those who care to be registered will have greater credit in the eyes of the public and will get certain concessions. Under the Negotiable Instruments Act crossed cheques presented through those registered bankers should be accepted for payment by banks.

6452. Should they be on a list of recognised bankers?—Yes.

6453. Taking any district, what is your model for the organisation of banking from top to bottom? If you are asked to map it out, how would you arrange? Would you allow the Imperial Bank or any exchange bank to open a branch in *talukas*?—I am not in favour of branch banking at all. I would like to work on the American system, and have separate co-operative banks in separate places. The district central co-operative bank would be a central bank for agricultural finance. There should be a district co-operative urban bank for urban banks in a district and for the *taluka* towns separate urban banks, and in the villages I would have co-operative societies and unreformed money-lenders.

6454. Would you not reform them also?—I would like to, if it is possible to do so.

6455. *Mr. Desai*: There is a story that Atmaram Bukhan of Surat in the times of Shivaji had extensive banking business, his *hundi* business being far and wide, and his credit stood so high that even a *hundi* tied to the branches of a tree was honoured. Was there much *hundi* business carried on by indigenous bankers?—Certainly.

6456. Why has the *hundi* business died out under the present circumstances ?—At present there is no co-ordination between the joint stock bank and *shroffs* and merchants, and there is not enough confidence for developing *hundi* business.

6457. What kind of central financial institution do you want ?—I want a central federal reserve institution, which would not open branches and not compete with other banks. At present the Imperial Bank has opened branches and is competing with other joint stock banks and bankers in the *mofussil*.

6458. Do you want an institution, which must be a bankers' bank ?—Exactly ; it might be the Imperial Bank converted into such an institution, or a separate central federal reserve institution.

6459. You say : " The indigenous bankers should be registered and should publish audited balance sheets once a year." Do you want that the indigenous bankers should be registered in the same way as other joint stock banks are registered ?—Not in the same way as other joint stock banks. The joint stock banks are registered under the Indian Companies Act, and they have to follow certain procedure.

6460. Why should they be registered ?—If they are registered, they will publish their accounts and annual balance sheets, and the public will know what their position is. We had the firm of Fakira Keshavji in Surat. The firm has disappeared now, and nobody knew who the proprietor of the firm was. If a firm is registered, they will have to declare the names of partners, the amount of their own capital and the amount of deposits received by them, and thereby the people would know the financial position of the firm.

6461. You said that the indigenous banker, if he is registered, should be considered a *shahjog*. Is that the only concession, or is there any other concession to the indigenous banker, if he is registered ?—The audited balance sheets of indigenous bankers should be accepted by the Income-tax office.

6462. Is it not a minor thing ?—No ; I have been told by many that it is a very important thing. At present the Income-tax office examines the account books of these bankers to find out the names of depositors, and therefore, many of their clients do not deposit with them.

6463. Should the indigenous bankers not get financial help ?—My idea is that indigenous bankers are so intelligent that, with an organised banking that we are sure to have in course of time, indigenous bankers will have their own place in the business world, and they are bound to be helped by the joint stock banks and co-operative banks. The moment they are registered, the joint stock banks would be more inclined to help them.

6464. Is it a safe argument to rely on the competitors' help ?—They will cease to be competitors. At present the joint stock banks are not our competitors for making advances. They are only competitors for attracting deposits. If indigenous bankers are registered, they will have some status in the eyes of the public, and they will be able to get deposits from the public, and thus they will develop the business.

(The witness withdrew.)

Written Evidence submitted on behalf of the SURAT PEOPLE'S CO-OPERATIVE BANK, Ltd., SURAT, by Diwan Bahadur THAKORRAM KAPILRAM MEHTA, C.I.E., LL.B., Chairman, Surat People's Co-operative Bank, Ltd., Chairman, Gujarat Urban Banks' Supervising Union, Ltd., and President, Surat Borough Municipality, and Rao Saheb VANDRAVAN C. JADAV, B.A., Managing Director, Surat People's Co-operative Bank, Ltd., Vice-Chairman, Gujarat Urban Banks' Supervising Union, Ltd., and District Honorary Organiser, Co-operative Societies, Surat.

SECTION I.

AGRICULTURAL CREDIT AND CREDIT FACILITIES FOR SMALL INDUSTRIES.—We first take up the question of financing the agriculturist and while doing so, we have to speak about the village credit movement.

While strenuous efforts are being made to help the small agriculturists, the bigger landholders and agriculturists are left alone to be at the mercy of the money-lenders. The agricultural business of small cultivators is not sufficiently remunerative and most of them are not in a position to make both ends meet. To add to this, they have at intervals to meet the various social expenses which compel them to run into debts from *sowcars* as well. Under the circumstances, loans to these are not considered absolutely safe, and further development even in this restricted direction is checked.

In order that the smaller cultivators can make both ends meet and be able to meet their liabilities, they must supplement their agricultural industry by some other subsidiary occupation; and until this is done, the efforts of the village credit societies cannot be crowned with the success that can be expected of the same.

In the managing committee of most of the village credit societies, we are not able to attract the proper type of people to serve on the committee. The struggle for existence is very keen, and when all have to work very hard to make both ends meet, it is very difficult to find out men to work on the managing committee of village credit societies purely out of self-sacrificing spirit. Most of those who are at present working on the managing committee of village credit societies are either men who cannot understand how banking business can be safely and profitably conducted or are men who are there merely for self-aggrandisement. The better class of people who cannot satisfy their needs from the village credit societies remain aloof.

With a view to attract the better class of agriculturists to take greater interest in the development of the Co-operative Movement and to induce them to serve on the managing committee of village credit societies, some system must be evolved, whereby they may think it worth while to develop the village credit movement, and until the co-operation of the better and educated class of agriculturists is sought in some way or the other, we do not see any better prospects for the village credit movement to develop further on safe and sound lines.

The village credit societies are very often spoiled by members of the managing committee who are themselves in arrears or who have granted *benami* loans and have themselves taken advantage of the loans advanced in the names of others and are not in a position to repay the same. Such members are not eager to press for recoveries and thus the societies get into overdues.

The only solution, to come out of this difficulty, that suggests to us is that loans to members of the managing committee of village credit societies should be sanctioned and advanced only by the central financing agency on the recommendation of the supervising union and that in such cases the usual maximum limit for advances to one individual should not apply, provided the applicant gives as security property of the value of twice the amount asked for or gives sureties whom the supervising union and the central financing agency consider quite sufficient for the advance. If the needs of members of the managing committee of village credit societies can be thus satisfied, we shall gradually find that the better class of agriculturists take interest in the Co-operative Movement.

The village credit movement should further be co-ordinated with the non-credit side of the movement; and while sanctioning special borrowing limits in individual cases, the Registrar in all cases, and the central financing agency while they make advances to committee members, as suggested above, should see that the applicants have joined the non-credit organization of their district and should have an eye on the proceeds of the applicants' agricultural produce sold through the sale society. Most of the members of the village credit societies should also be members of the several sale societies in their area, and while assessing their credit-worthiness, the value of their agricultural produce sold through the several sale societies should be taken into consideration. Vigorous efforts should be made to promote supply and sale societies in all districts, and all agriculturist members of existing village credit societies should be induced to join the same and have their needs satisfied through them.

Efforts should also be made to induce the small agriculturists to take to some subsidiary occupation, and co-operative societies for a group of villages should be organized for the several side-industries. The success of a village credit society can be really gauged not only from its financial operations, but these should be supplemented by members of the society joining in several non-credit societies as well as the co-operative societies for subsidiary occupations. Special attention should also be paid to find out how many small agriculturist members of a village credit society have joined this latter type of co-operative society and taken to some subsidiary occupation and how many are yet out of the fold.

Attraction of the better class of agriculturists as members of village credit societies, promotion of non-credit societies in all districts and sanctioning of special limits to members of the managing committee as well as to others on the strength of the agricultural produce that is sold through sale societies and inducing small agriculturists to take to some side industry either individually or by forming a co-operative society for the same, are the suggestions that we have to make before this Committee, and if they are adopted, we are confident that they will go a great way in helping to fully meet the short-term financial needs of agriculturists.

SECTION II.

URBAN PEOPLE'S BANKS.—While taking up the case of small trader and industrialist in our district we come to the working of the urban people's banks movement.

We are sorry to have at the outset to point out that the treatment so far given by Government to this branch of the Movement has been step-motherly. All the energies of the Co-operative Department have been, till very late, directed to the development

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of the agricultural side of this Movement in the rural area, and even when the Department did think of developing the urban people's banks movement, they were not prepared to give any financial help to these institutions even in the initial stages. The results so far achieved cannot, therefore, be anything but poor from a banker's point of view. What do we find? The men working in the development of the urban people's banks movement are the pick of the co-operative workers. They, therefore, command very good local credit, and so the institutions, that they have pioneered, are flooded with deposits. But this is not enough. It is only development of one side, the easier side of banking. The more difficult part of banking business, *i.e.*, the business of making advances, remains undeveloped. Why is this so? The reason is not difficult to find. The business of granting loans must be handled by an expert banker or else the bank is likely to come to grief. An expert banker cannot be had, except for his price, and our people's banks are handling business of such small proportions that they cannot afford such men in the initial stage. Wherever there has been all round development, it is due to expert assistance of some experienced local man. At places where this is not available, it will be found that only one side of banking, *i.e.*, deposit banking, has been developed.

Of late the Co-operative Department has been advising very strongly to these banks to have well-paid and well-trained managers and other staff; but bank managers cannot be had to order and fresh graduates in commerce, however clever they may be, cannot possess the necessary business experience and local knowledge to be able to satisfactorily handle the business of granting loans. Consequently, men who possess the necessary qualifications, both theoretical and practical, will have to be engaged, and when we consider the extent of the operations of most of the urban people's banks, we cannot but say that they cannot afford to pay for a really competent bank manager. The Co-operative Department cannot confidently give wider powers to these banks unless they engage the services of an expert banker, and the banks cannot pay for such a manager, until their business is sufficiently developed, and thus we are in a vicious circle. Some one must be prepared to bear the loss in the initial stage which cannot, under ordinary circumstances, be more than three years.

† One great and important idea in the minds of all earnest co-operators is that co-operative banks are meant for small people, and so they should deal with small men. If they have surplus funds, *i.e.*, funds for which they cannot find small business, they must invest the same in other banks, but on no account should they finance moderate business operations of local citizens even after the needs of small men have been fully met. The oft-given reason for this is that bigger business is meant for joint stock banks, and if co-operative banks handle the bigger business, they become unco-operative in character, and therefore, polluted.

While we are on this point, we cannot help giving the following quotation from "Co-operative Banking" by Mr. H. W. Wolff.

"To keep the bank, true to its purpose, as a People's Bank and a Co-operative bank, various authorities have laid down certain principles, which of themselves do not fully meet the requirement of the case, but which have been here and there adopted as preliminary precautions. Thus it has been pretty frequently laid down that, in the event of conflicting claims, exceeding collectively in amount the cash available, preference shall invariably be given to small business over large. A further argument, purely prudential, is pleaded on behalf of such practice. It is contended that over the wider area the same sum of money is distributed in the smaller amounts, the safer will the collective business be. I cannot altogether subscribe to this, as a general rule, since the

small borrower may be individually the less trustworthy. Leen D' Andrimont, in the People's Bank founded by him at Liege, would not permit any one person to be allowed credit beyond 5000 francs in all. In his opinion, apart from the preferential consideration due to small business in a people's bank, people, who require more, would obtain better terms by going to some other establishment. Once more I cannot subscribe. The co-operative bank is likely under all circumstances to be cheaper than an ordinary bank. And, although, of course, the particular object of a co-operative bank is to provide credit for those who could not otherwise obtain it readily and cheaply, *i.e.*, in the main smaller folk, and to such work its manager's attention should be steadily directed, I cannot see why so very hard and fast a line should be drawn.

For a co-operative bank it is sometimes difficult to make small business suffice for itself. To keep the bank self-supporting you must have a certain current of business. And so long as it is not carried to excess, there seems no reason why some larger business should not be employed to carry the small more easily along. After all, the proper test is not the magnitude of the transaction but its character."

We bow to the views of this veteran co-operator and desire that this may be the accepted policy of the Co-operative Department in the development of urban people's banks in India.

Besides, there is a good deal of misconception about what is small business and what is big business. To our mind the financial accommodation given by a co-operative bank to a poor trader, artisan or industrialist, for productive purpose must at least be such that, with this help the borrower can at any rate earn enough to maintain his family. And such accommodation required to earn just enough to maintain one's family should be considered small, whether it actually amounts to Rs. 50 or Rs. 2,000 or Rs. 5,000. Besides this, there is financial assistance required by middle class people. By this we mean those people who not only desire to earn enough to maintain their family but also enough to keep them in ordinary decent comforts. Such middle class people must also be financed by co-operative banks; because the ideal of co-operation is to raise all men to the level of the middle class people; and so whatever be the extent of the financial accommodation required for financing the business operations of these middle class people, the same should be considered co-operative.

On the other hand, the business of very rich merchants and traders, who can be called capitalists, and each of whom will require financial assistance for Rs. 100,000 and above, may be financed by joint stock banks, and such business may be called big business, and the same may not be usually financed by co-operative institutions.

It would, therefore, be wrong to deny from co-operative banks financial assistance to middle class traders, manufacturers and industrialists, who are only trying to earn enough to maintain their family and keep them in decent comforts, and who are not out to make huge profits and collect huge capital so as to be able, later on, to roll in luxuries. ↗

Besides, if it were possible for joint stock banks to successfully open branches in small market towns, and find enough middle class business, to meet the expenses of the branch and earn a little profit even after being out of pocket for about three years, they would have gladly opened branches in such centres; and co-operative banks would have been safely left to do the very small type of business exclusively, and thus continue to remain fully co-operative. But the circumstances are such that joint stock banks cannot find sufficient amount of middle class business, in small market towns, and so the middle

class tradesmen and industrialists of such towns have to be furnished for want of proper banking facilities, or the co-operative ideals should be made more accommodating to their needs.

The difficulties experienced by joint stock banks are not to be found only in the small market towns. Even in bigger market towns and cities, where joint stock banks have opened branches, we very often find that they develop only one side of the business, *i.e.*, deposit banking, and the business of making loans is either not handled or is handled only in a few selected places where plenty of business is available.

There may be two reasons for this. Firstly, in cities of mediocre size, the volume of business may not be sufficiently big to enable the head office to put the branch in charge of a really competent manager who can be safely entrusted with the business of advancing loans, and secondly, as these banks are not keeping local advisory committee in all places, the head office is not conversant with the standing and respectability of various persons desirous of dealing with the branch. Under these circumstances, co-operative banks have a vast untraversed field to work upon. The co-operative banks are also in a very happy position so far as local knowledge is concerned. They have a local board of directors, a local discount committee, and so they are in a position to gauge the credit-worthiness of their members. If, therefore, the people's banks can be allowed to tack on the middle class business to the smaller one, they will be able to pay their way and thus be able to engage the services of an expert banker who will first provide full facilities for small business and then will also take up the bigger business that may be offered. Worked on this line, there is a very good field for the development of urban people's banks movement; and if the Department grants financial assistance towards the cost of engaging an expert banker in the initial stage, it will be rendering yeoman service in the development of banking in general. If the resources of Government cannot allow financial assistance in individual cases, we strongly recommend that such assistance may with advantage be given for a period of five years to supervising unions of urban banks working in each linguistic division.

We would now substantiate by figures what we have said above. In Gujarat, we have urban people's banks in the following places:—

Bulsar, Surāt, Rander, Ankleshvar, Broach, Jambūsar, Kalol and Godhra.

We are giving below a short summary of the figures from their last balance sheets.

Figures of working of most of the Urban People's Banks in Gujarat as on 31st March 1929.

Surat People's Co-operative Bank, Ltd.

	The Surat People's Co-operative Bank, Ltd.	The Jambusar People's Co-operative Bank, Ltd.	The Godhra City Co-operative Bank, Ltd.	The Ankleshvar Nagarick Sahakari Bank, Ltd.	The Broach Urban Co-operative Bank, Ltd.	The Bulsar People's Co-operative Bank, Ltd.	The Kalol Urban Co-operative Bank, Ltd.	Rander People's Co-operative Bank, Ltd.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Paid-up Share Capital ..	94,650 0 0	11,045 0 0	23,300 0 0	17,520 0 0	29,360 0 0	10,300 0 0	4,625 0 0	17,600 0 0
Reserve and other Funds ..	17,305 3 0	6,781 14 8	2,738 8 11	4,752 5 1	4,312 0 0	1,259 0 7	224 7 2	3,880 15 4
Deposits ..	8,41,321 3 1	1,23,743 11 9	1,08,409 8 8	1,11,951 14 0	88,547 3 8	84,911 7 2	9,993 12 11	90,149 0 4
Other items ..	12,506 0 1	1,773 1 10	2,603 8 5	486 12 3	2,861 14 2	1,129 10 2	1,177 1 3	172 0 0
Profit ..	21,783 7 11	390 6 1	3,683 8 11	3,278 1 11	4,114 8 8	1,722 1 3	421 5 10	4,392 6 4
Total ..	9,87,565 14 1	1,43,734 2 4	1,40,735 2 11	1,37,989 1 3	1,29,195 11 6	99,322 3 2	16,491 11 2	1,16,194 6 0
Cash on hand and in Banks ..	2,13,932 6 6	97,620 9 7	50,465 5 0	77,604 10 4	14,410 3 8	37,459 1 0	7,880 9 6	32,526 10 2
Investments ..	1,52,312 14 2	11,387 8 0	2,920 0 0	18,792 8 0	3,520 0 0	14,278 8 0	....	2,425 0 0
Loans and Overdrafts ..	6,18,448 14 11	84,351 11 6	87,053 0 11	38,404 5 2	1,11,023 3 10	47,524 10 2	8,542 12 2	80,073 11 11
Miscellaneous ..	2,871 10 6	374 5 8	296 13 0	3,187 9 9	242 4 0	60 0 0	68 5 6	1,168 15 11
Total ..	9,87,565 14 1	1,43,734 2 4	1,40,735 2 11	1,37,989 1 3	1,29,195 11 6	99,322 3 2	16,491 11 2	1,16,194 6 0

Even a cursory glance at these figures will show that though Ankleshvar, Jambusar and Bulsar have been able to attract deposits, their business of making advances has not progressed, and what little business has been handled by these banks is only of the small type.

We would here like to mention that it is the small business which is more difficult to handle and which is likely to be such as will not enable the borrower to earn enough to maintain his family and pay the bank instalments, and consequently, the percentage of arrears in this class of loans is likely to be higher. It is only when the safer type of middle class business is tacked to the small business, and even in the small business offered, only safe business is accepted and the unsafe business rejected, that the development will be on sound lines.

Similarly in the case of Broach Urban Bank, though the amount advanced is proportionately high, the loans are made to small people and so there is the same difficulty of heavy overdues.

Our experience of small loans in Surat People's Co-operative Bank merely confirms us in our belief and so we are definitely of opinion that urban people's banks must accept small, mediocre and even big business, provided it is safe. Safety must be the first consideration and the magnitude of the transactions a second consideration, and as between small and big but equally safe business, preference should always be given to small business.

In most of the places mentioned above and in many other *taluka* towns, the bigger merchants will not be more than half a dozen at most, and so it will not be considered worth while by joint stock banks to open branches at these places. We, therefore, maintain that this field must either lie unoccupied or development of banking is possible only through organization of urban people's banks.

Besides, urban people's bank are not allowed to deal with private unregistered firms or with joint stock companies, or other corporate bodies. It, therefore, comes to this that if it is not possible for one person to carry on a business with the resources that can be available to him and if he desires to combine with one or more persons to carry on the business in the name of a firm, co-operative banks cannot deal with the firm though it may deal with the partners individually. In these days, it is absolutely necessary for every business organization to have a bank account and to have a reference from his banker. Every business organization will also like to send to its creditor a cheque drawn by itself on its banker, and if a private firm cannot open a drawing account with a co-operative bank and has to resort to a joint stock bank for this purpose, how is it possible for the business of co-operative banks to develop? It also seems very strange that if a group of persons are individually too poor to work a business, and if it is necessary for them to co-operate amongst themselves to start a business, and if the business is such that it does not necessitate the co-operation of more than ten persons so as to enable them to form themselves into a co-operative society, are not these poor men to be encouraged to co-operate amongst themselves and profitably conduct their business? Why should financial help from co-operative institutions be denied to them?

Similarly we fail to understand why joint stock companies should not be helped by co-operative banks? In these days, it will not be by showing animosity towards an institution standing for opposite principles that we would be able to increase our fold, but if we allow the institutions holding opposite views to join our institutions and be benefited by them, we shall be able to win their sympathy and make them change their

faith. If it is profitable for people to form themselves into co-operative societies in preference to joint stock companies, and if we allow joint stock companies to benefit by being members of co-operative societies, we are sure, such joint stock companies will, at any rate, embody some co-operative principles in their working, and this will be no small victory for the co-operative principles.

However, development of the business and industrial resources of India is of far greater importance at present than fighting for co-operative or joint stock principles; and so long as a joint stock company is not started in competition with an existing co-operative society, but is started for the development of a new industry, which it will be very difficult to organize on co-operative lines, I see no reason why joint stock enterprise should not be helped by co-operative organizations. All that is required is selection of the proper type of joint stock enterprise for admission to membership; and after all in a co-operative society one person has only one vote, and so if a joint stock company is a member of a co-operative society, it will not be able to have things done as it likes, but it will have to go by the decision of the majority of the members. In *mofussil* towns, industrial enterprise on joint stock lines cannot be promoted or successfully developed but for the banking facilities made available to it, and if the industrial development of India has to be undertaken, the necessary banking machinery must be created. It may be joint stock banking, if possible, but if that is not possible, why should co-operative banks be debarred from helping selected joint stock enterprises of the type described above?

The apathy of co-operators towards joint stock companies does not stop here. Even if the shares of approved joint stock companies are offered by members of an urban people's bank as security for an advance applied for by him, the same cannot be taken as a security. Of course it is risky to advance large amounts on the shares of joint stock companies, but when such advances are to be made on a demand promissory note, and when the borrower has agreed to maintain a 40 per cent. margin on the market value of the securities from time to time, failing which he authorizes the bank to immediately sell off his securities and recover the bank's dues, we fail to see why such business should not be approved only for the following types of members:—

(1) A member has a running business and has invested a portion of his capital in the same. He has also invested a portion of his capital in shares of joint stock companies with a view to have a good income specially because he cannot profitably employ all his capital in his business or industry. The business that he has started has not yet developed sufficiently to enable him to withdraw his capital from joint stock enterprise; while his investment in joint stock enterprise, gives him an yield of 9 per cent. on which he can maintain his family. His own business requires temporary overdrafts; and he desires to have the same from a co-operative bank by offering the shares as a collateral security.

(2) A member has a running business. He wants a loan of Rs. 5,000. His relative or friend is prepared to help him; but to be able to get Rs. 5,000 from a co-operative bank, the latter must agree to mortgage his property to the bank or the former must pledge his goods. If the relative or friend has some investments in shares of joint stock companies, they cannot be accepted by the co-operative bank even as a collateral security.

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It is really very strange that such people cannot be helped by co-operative banks. We, therefore, maintain that if co-operative banks are really meant to develop the trades and industries of *mofussil* towns, they must be given a little wider scope for developing business relations with persons described above.

As active workers in the development of the urban people's banks movement, we have been often considering the reasons why this movement is not thriving as it should ; and the following ideas suggest to us :—

(1) Some members of the managing committee of some urban banks are themselves money-lenders and are doing the same business which a people's bank is doing. These cannot be expected to help in the development of the business, but would generally take an obstructive attitude or will themselves take up the safe business and will leave unsafe business for the co-operative bank.

(2) The members of the managing committee of co-operative banks may, as at present, have no stake except the holding of one membership share in the institution whose destinies they are controlling. This system requires to be changed, and those that desire to pose as leaders must take up a reasonable liability ; and this liability of the directors may be gradually increased, with the increase in the working capital of the bank. The reason for making this change is that these persons who are not themselves thrifty or who can save nothing to be able to invest in a concern managed by them or who, though rich, do not desire to invest in the concern whose management they want to conduct, can hardly be considered the type of persons fit to be on the managing board of a bank.

(3) Though the co-operative banks are gradually entering into the technical side of banking business and though at the meetings of the managing committee of co-operative banks, knowledge and experience of business methods are necessary, the members of the managing committee have to work gratis even when the institution is progressing. Such a cause is absolutely unbusinesslike and comes in the way of the proper development of these banks. Co-operation is not charity ; it is business, and once an institution develops and has to be watched and guided as a regular business concern should be, gratuitous service is certainly out of place and will in the long run be more costly.

(4) Limits for advances to be made to individual members of a bank must not be rigidly fixed up in the bye-laws, but must be allowed to be increased in proportion to the increase in the working capital of a bank.

(5) As most of the banks require expert assistance and guidance, all urban people's banks must join a supervising union of urban people's banks, and such unions may profitably be organised one for each linguistic division. We are afraid, full development on right lines is not possible except through the assistance and guidance of such a union, which must employ a well trained inspector.

As I have said above, joint stock banks do not much interest themselves in making advances in the *mofussil* towns. What advances they are making, are against the security of Government and Municipal loans and shares of approved joint stock companies. These banks sometimes undertake some big business of granting accommodation against goods lying in the bank's godown. At times they also purchase usance bills bearing one good endorsement. Under the circumstances, there is not much scope for competition between joint stock banks and co-operative banks, at least in the matter of advances. The case is different with the Imperial Bank of India. This bank has well trained, and

well paid bankers as managers at its branches, and they are given good powers of making advances on the spot. The branches of the Imperial Bank have, of late, begun to canvass even small loan business, and their usual rules for advances against goods lying in Bank's godowns have been modified to a certain extent, and every kind of reasonable facility is given by them to merchants, and thus they are likely to develop to a great extent the loan business with middle class people.

As regards deposit business there is likely to be some competition. The share capital of joint stock banks is very large, they have a very large number of clients and shareholders; their office buildings are attractive and the field for their operations is very large and practically unrestricted. Under the circumstances, deposits are likely to go to them in greater numbers and larger amounts. As against these, the co-operative banks have proportionately much smaller share capital, they have a smaller number of shareholders, and most of them are small men who do not command much influence, the bigger class of merchants do not take interest in their development and do not deposit their surplus with these banks, as these institutions are not meant to render any help to them in their times of need.

Co-operative banks have, besides, a restricted field for their operations. They are not, therefore, known outside their limits. Under the circumstances, most of the co-operative banks have to offer slightly better terms for deposits, and so there is some competition in this line of business.

BUYING AND SELLING OF HUNDIS AND DRAFTS.—When speaking about this business, we must admit that both the Imperial Bank and joint stock banks are very large. They have large call deposits lying at branch offices and have, therefore, to maintain large balances on hand; and these they can very easily utilize for buying and selling *hundis*. They have their head office at Bombay. The head office is in touch with the drawees of demand bills payable at Bombay; and very often the head office takes guarantee and even security from drawees for purchasing demand bills drawn on them by their agents in the *mofussil* towns. The amount of each bill is very often large enough for a co-operative bank and is at times much beyond its capacity. The Imperial Bank has also the Government treasury balances at its disposal.

As regards selling drafts on Bombay, the bigger type of business must go to the joint stock banks because the bigger people are in touch with them. Their demand bills are purchased by these banks, and consequently, when in the slack season they have surplus cash to be remitted to Bombay, naturally they must turn their eyes to them. But some small business of selling drafts on Bombay was being taken up by co-operative banks, and even here they have been of late driven out of the field because cheques up to Rs. 5,000 drawn on a branch of the Imperial Bank or a joint stock bank are being negotiated at par by its Bombay office, and as these banks are members of the clearing house, these cheques are easily negotiated at Bombay. In this way, what little business was coming to co-operative banks has gone away from them.

Even if the co-operative banks were to co-operate amongst themselves and start a bill collecting union, and even if we are able to arrange with the Bombay Provincial Co-operative Bank to cash at par cheques on *mofussil* co-operative banks, our arrangement cannot work satisfactorily because the Bombay Provincial Co-operative Bank is not a member of the Bombay clearing house, and so cheques coming through the clearing house cannot be negotiated easily and therefore our clients will not get the same facility

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which the clients of Imperial Bank or joint stock banks are getting. Owing to this facility offered by joint stock banks development of current account business of *mofussil* co-operative banks, district central or urban banks, has been checked a good deal.

As the Bombay Provincial Co-operative Bank is not a member of the clearing house, the drafts drawn on it by the *mofussil* co-operative banks do not find an easy market. Payees of drafts prefer to get drafts on a clearing bank, as these drafts facilitate collection.

If, therefore, the co-operative banks are expected to develop banking in the *mofussil* towns, and their cheques and drafts are to be popularized, admission of the Bombay Provincial Bank to the clearing house is absolutely necessary.

We would, therefore, urge upon this Committee to recommend that the Bombay Provincial Co-operative Bank, as the Apex Bank of all co-operative banks in this presidency and as having connections at various important trade centres, may be admitted to the clearing house, even though its resources may not be so vast as the members of the clearing house may consider necessary.

QUESTION 6A—So far as Surat city is concerned, we have a number of industries like weaving, embroidery, wood carving, etc., which are not in a flourishing condition owing to the same being unorganized and not backed by a good banking organization.

There are the master workers as well as the artisans. The artisans are financed or rather are indebted to the master workers and are not able to free themselves from their indebtedness even at the end of their career. The indebtedness runs from father to son and is more or less endless. The master workers are able to make both ends meet from the profits realized by them out of the works done by these artisans. Once having made advances to them, they have only to keep them living by making further advances from time to time and crediting to their account the cost of the work turned out by them. These accounts somehow never get squared up.

The mastermen have also to sell their produce on credit in outstations and their dealers always keep a good amount outstanding to them for cost of the manufactured goods supplied to them. Out of this a good amount has also to be written off. The mastermen have to go out to recover their dues, and it is by supplying fresh goods to the outstation dealers that they are able to recover part of their past outstandings. Thus the wheel turns on; and the profits go to make up the bad debts as well as the advances to artisans. The consumers under this system get things rather dear, or these industries get languished. In the present times, when all industries in the world are getting organized, it is very difficult, nay impossible, for such industries as these to stand for a moment, unless we put them on organized basis and provide for them the necessary banking facilities.

A report on the condition in which these industries are to be found at present, the methods by which they are being carried on and the way in which they are being financed will be submitted to the Committee by economists to be specially deputed for this work. We shall not, therefore, take up the time of this Committee by writing about the same, but will only dwell upon the suggestions we have to make for the development of these industries :—

(1) Those artisans that are inclined to form themselves into a co-operative society may be organized either for finance or for finance as well as supply and sale. Later on they may also be organized as producer's societies after we have got some experience in conducting society of the former type.

(2) Those artisans and craftsmen who desire to work their business individually may be helped by the local people's banks. At present very few artisans and craftsmen have been attracted to co-operative banks; but with the gradual development of these banks, increase in their reserve fund and with the larger experience which the directors will in course of time get, it will be possible to venture a little, and then, we are sure, more business with this class of people will be possible.

(3) The master workers, *i.e.*, those who are not themselves working as artisans and craftsmen but who give financial help to the latter and take work from them on payment of their labour charges, also require to be financed. Some of them are paying a very high rate of interest and with the locking up of their funds in their business, sometimes they have to close their business on account of the pressing demands of their creditors, and thus good many of their outstanding dues get bad and they lose their own capital and are sometimes not able to pay their creditors. This whole system requires to be reorganized. There must be banks to finance these master workers, who possess a good deal of technical knowledge in the manufacture as well as the marketing of the manufactured goods. They know the places where these goods can be sold and they are also acquainted with the merchants who are interested in goods which they manufacture. It will be very difficult, nay impossible, at the present juncture, to do without their assistance, and a great majority of them are purely middle class people whom it should be the main business of co-operative banks to finance. This class can easily join the local people's co-operative banks.

The weavers require to be helped in the purchase of yarn. If they form themselves into co-operative societies, so far so good. But if they cannot be thus organized, it is quite necessary for them to make a joint purchase of yarn through their bank. This will give them cheap yarn.

Similarly every class of artisan, such as tailors, shoe-makers, carpenters, wood-carvers, zinc and *kasab* makers, all require raw commodities for their industry, and they can all be advantageously joined into separate co-operative societies or each of these classes of people may make joint purchase through the agency of their bank.

Similarly these artisans can be helped by the local people's bank in the sale of their manufactured goods. In big cities arrangement can always be made to have the commodities prepared by the members of a bank exhibited in the bank premises. Samples can be sent to other co-operative banks in different cities in India and orders may be easily canvassed, and such orders may be passed on by the bank to their members, who will thus be preparing goods under orders and thus the risk of holding unsold goods will be minimised. When the goods are ready, they will be sent to the merchants who have placed the orders, and three months' bills drawn on them will be sent through a bank by the manufacturer. These will be genuine trade bills, and the manufacturer will get the necessary finance by discounting these bills, and the dealers will not be compelled to pay cash.

Another great advantage of this method will be that the manufacturer will be able to get correct information about the standing and respectability of these dealers and the possibilities of bad debts arising out of the business will also be minimised.

In this way the several classes of craftsmen, artisans and master workers can be helped by the urban people's banks, but when the question of organizing these

craftsmen and artisans into co-operative societies is taken in hand the question that will naturally arise, is, who will undertake financing these societies, i.e., whether the central financing agencies should undertake the financing of industrial societies or that the urban people's banks should take up this work.

While discussing this question we cannot do better than quote from Mr. Darling's book on "Co-operation in Germany and Italy":—

"The craftsmen societies were also generally supported by the co-operative urban banks, whose chief object is the assistance of small industry. In many of these banks, craftsmen form a nucleus of the shareholders. Development of craftsmen's societies will, however, be easier if, as in Germany and in Italy, these urban banks support the movement."

We have also another eminent authority in Mr. Crosthwait from whose book on "Co-operative Studies and the Central Provinces System" we give the following quotation:—

"Co-operative industrial credit, aims in theory, at those who, having no material capital, save perhaps some tools, yet possess a moral capital in their honesty, industry and skill. Those particularly in view are urban artisans. The small industrialist provides the reason for the existence of the "People's Bank", which is the term generally applied to institutions for the provision of co-operative industrial or urban credit. In actual fact, people's banks include amongst their clients, trademen, master artisans, Government officials and persons of a status very much above that of the small industrialists. But it is with the more important aspect of the problem that we are concerned, namely, the support and promotion of local industries and of industrialist as a class.

With the best will in the world, a central bank founded and designed for the business of agricultural credit and thrift, cannot do much for the town industrial classes. If business is kept on lines that are safe for a co-operative central bank then, as regards class societies of town handicraft workers, finance is too rigid and mutual supervision too irksome.

Further co-operative credit applied to class societies must be supplemented by co-operative purchase and sale. But markets for our local products, especially textile fabrics, are most uncertain while the members of the societies are not sufficiently educated in business methods, to organize purchase and sale for themselves. On the whole, therefore, the urban people's bank is the best credit institution for town handicraftsmen; it can pick and choose its members and need not assist people who have no credit and can produce no sureties."

We fully support this view and hope that while recommending the machinery for the financing of artisan societies in urban areas, this committee will recommend that the urban people's banks are the most suitable institutions to help these societies.

Oral Evidence.

6465. *The Chairman* : Diwan Bahadur Thakorram, you are the Chairman of the Surat People's Co-operative Bank, Ltd. ?—Yes. Since May last I am the Chairman.

6466. And of the Gujerat Urban Banks' Supervising Union, Ltd. ?—Yes.

6467. You are also the President of the Surat Borough Municipality ?—Yes.

6468. The urban Co-operative Movement has developed rather well in Gujerat, has it not?—I can speak for Surat district and also for Gujerat. It has developed fairly well.

6469. But it is at its beginning?—Yes.

6470. It has been represented to us that, however much the joint stock bank movement may develop, it will not be possible for it to reach the smaller urban areas like *taluka* towns. Do you think that urban banks will be able to do the same kind of work in smaller towns that big joint stock banks or the branches of the Imperial Bank are able to do in bigger towns?—I think they will be able to do it. As we have pointed out in our statement, there are a good many advantages in favour of urban banks than there are in favour of joint stock banks.

6471. You say that the urban banks have been financing at present only the very small men and not men with moderate size of business. What is that due to? Is it due to the fact that the funds available are not sufficient?—No. I think there are the restrictions of the Department, and wrong notions, in the minds of some leading co-operators. They are largely responsible for these restricted operations.

6472. Is not the maximum limit of loan fixed?—I think it is Rs. 1,000.

6473. But as funds increase will not this limit also increase? Take the case of your bank. Is the maximum limit Rs. 1,000?—So far as our bank is concerned, we have free scope to give loans.

6474. Where does this question of limit of Rs. 1,000 arise?—In the other banks in Gujerat.

6475. Is this not due to the fact that their capital is limited?—I think they have spare money and that is what we have shown in our statement, and yet they are not able to reach the middle class people.

6476. But have attempts been made to get the limits raised?—(*Rao Saheb Jadav*): As we have told you in our written evidence, at present the idea of co-operators in India is to stick to small business only. The Jambusar People's Co-operative Bank, Ltd., recently tried to get a resolution passed in a general meeting to the effect that loans up to Rs. 3,000 can be advanced against cotton. The proposition was turned down by the Registrar's office; and they said that the bye-laws of the bank should be amended. The bye-law says that, with the sanction of the general meeting, the bank can advance more than Rs. 1,000. So they passed a resolution to the effect, "We authorize the managing committee to sanction up to Rs. 3,000 to one man on the security of seed cotton", but this was turned down by the Registrar's office.

6477. I am afraid it is only a question of the interpretation of the bye-law. Probably the bye-law was intended to mean that the general meeting can in a particular case sanction or authorize the sanction of a loan. Is there any objection to amending the bye-laws?—No.

6478. There is no opposition from any source to increasing the limit where there are funds?—(*Diwan Bahadur Mehta*): Technically the Department may be right but the impression goes out that it is the Registrar's office which is putting an obstruction. If the amendment was acceptable to the Department, it need not have turned down the proposal but could have asked the bank to proceed to amend the bye-law and to handle the business in the meantime.

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6479. There was no point in fixing a limit of Rs. 1,000 in the bye-law if the general body could give a general sanction to the managing committee. From what has been said now it seems that the Department is not against the increase in the limit ?—(*Rao Saheb Jadav*) : The present Registrar has broader views on the whole question. He is in favour of allowing this. Somehow, as I have said before, some of the leading workers in the Movement are in favour of only small business. This idea must go from the minds of co-operators and they must agree to help all kinds of people especially the smaller and middleclass men in the *mofussil* towns. If this idea is taken up by co-operators, there will be no difficulty in developing urban banking and in increasing the limit.

6480. *Mr. Buckley* : In following this policy of doing big business, is there no danger of neglect for the small business ?—A co-operative concern is run on democratic lines. One man has one vote. It is not that a few capitalists will be able to have every thing under their thumb. Certainly they are bound to attend to the needs of the smaller people who will take part in the meetings ; and the directors must be people who will attend to the small business. Therefore the small business will not suffer. Besides there will be the auditor who will be looking to the loan applications. (*Diwan Bahadur Mehta*) : We have made it clear in our statement that first the small people should be attended to.

6481. *The Chairman* : You have divided these people into three classes and you say that the small and the middleclass men should be financed. The two terms are rather elastic ?—Yes they are elastic. We shall have to judge all these classes according to localities. A big man can at once be found and a middleclass man can also be found.

6482. In the case of bigger agriculturists are special limits sanctioned ?—(*Rao Saheb Jadav*) : In the loan business, the bulk of the people want to have loans at a particular time, and for sanctioning increase in limits, it takes nearly five to six months. At best it cannot be done earlier than three months because a resolution of the general meeting of the society will have to be passed, then it will have to go to the Registrar's office and it will come with his sanction. Then it will be sent to the district bank which may delay it for some time. In this way it takes a very long time.

6483. Your suggestion is that the procedure should be expedited ?—Yes. (*Diwan Bahadur Mehta*) : Certain banks may be left at their discretion to sanction special increase in limits.

6484. About subsidiary occupations have you any practical suggestion to make as to what could be introduced ?—(*Rao Saheb Jadav*) : The agriculturists can take to rice selling business by starting a co-operative sale society, some may take to dairy business, some may be engaged in cotton ginning societies and some may do hand-spinning and hand-weaving business and so on. (*Diwan Bahadur Mehta*) : I would add that there must be an encouragement to take to intensive cultivation on their own lands.

6485. In what way can this be done ?—By propaganda and by financing.

6486. Do not people go in for intensive cultivation for want of finance ?—I should think so as also they have their bad habits with them.

6487. The first thing to do, you suggest, is education ?—Yes, and the necessary capacity to understand things. At present an agriculturist loses all the time after his crop, in litigation and in attending courts thus idling away his time.

6488. There are facilities in certain parts of the district for intensive cultivation ?—Yes.

6489. Irrigation or otherwise?—Yes. In Surat district there is not much irrigation. It is pronounced to be unfit for irrigation purposes and in that case experts might find out how to bring about some other scheme. Irrigation cannot be the last word.

6490. You make a suggestion that loans to members of managing committees of village credit societies should be sanctioned and advanced only by the central financing agency. This is rather undemocratic, is it not?—The interest of these people is so predominant that it makes them in one way or the other to take more money than what they are ordinarily entitled to.

6491. Is there not the danger of *benami* transaction?—It is already there. In this way a managing committee member who dominates over others takes more than what he is ordinarily entitled to. He being a leading man somehow or other dominates over others and ultimately what we find is taking the matter to a criminal court or anything of this kind. It will be much better to have him depend upon independent persons who can see what is possible to advance to him.

6492. The success of a society will depend upon its good management. If the managing committee is itself dishonest, we cannot expect the society to go on well?—Yes.

6493. *Mr. V. L. Mehta*: Do you think that the difficulty of leaders appropriating more money could be got over by their regularly submitting normal credit statement to the general body and getting them approved?—This is exactly how *benami* transactions take place. Suppose there are normal credit statements, a borrower can only get Rs. 300. The members of the managing committee are usually very good agriculturists who require more money, and even though they may be indebted to other persons, they cannot get more now, and therefore, they have to make *benami* transactions.

6494. Would not this internal control be sufficient over these leaders appropriating more money and would it not be better than outside control?—If the internal control is effective, it will be sufficient. It is not effective at all. That is to say, he is an autocrat amongst those people. (*Rao Saheb Jadav*): There is another reason why we say that loans for managing committee members should be sanctioned and advanced only by the central financing agency, namely, if they want special limits, they must go to the district central bank, which will consider the question, and then do the needful. Thus we shall be able to attract bigger agriculturists to join our movement.

6495. *The Chairman*: So far as special limits are concerned, if they are sanctioned by the central financing agency, the evil would, to a certain extent, be minimised?—Yes.

6496. But will it do away with the possibility of *benami* transactions?—(*Diwan Bahadur Mehta*): If they are getting enough.

6497. If the special limits are properly fixed, this would obviate the necessity for such sanction from outside?—Yes.

6498. You suggest compulsion on members to sell their produce through sale societies?—I suggest this compulsion in case of those who want special limits.

6499. You complain about the treatment given by Government to urban Co-operative Movement. What is wrong about this?—(*Rao Saheb Jadav*): No help is being given to urban people's banks. Village credit societies in their initial stages are being helped first by free audit, and even loans are given to them sometimes without interest to a certain extent. No such help is coming forward to urban banks.

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6500. But surely urban banks up to a certain limit are audited free?—Yes. The department classes all societies above Rs. 50,000 as banks and charges audit fee. I say that we can hardly call a society a bank unless it has five lakhs. So they should be nurtured until they possess five lakhs. An ordinary village society's case is different from an urban bank's case. The latter must have a working capital of Rs. 5 lakhs, in order that it may be managed efficiently and may be able to pay its way.

6501. You want free audit. Do you want any other concession besides free audit?—We want technical advice and technical experts. (*Diwan Bahadur Mehta*): We also want money help to enable these banks to engage experts.

6502. Would it not be enough to have a supervising union?—We also want Government to help this union with money in order that they may be able to give grants for enabling the urban banks to engage experts or the union may be able to maintain sufficient supervisory staff. (*Rao Sahab Jadav*): We want this help for a few years.

6503. I find from the statement that most of your urban banks have very large surplus funds. Take your own bank. Your loans amount to six lakhs while your balance in hand and investments amount to about Rs. 3,60,000. More than 50 per cent. of your amount is kept as cash and investment?—Yes.

6504. Why is this so? In your case there is no limit and why are you not able to lend more?—It takes time to lend more money. We are developing custom.

6505. How old is your bank?—It is seven years old.

6506. For Surat a sum of nine lakhs is not a big amount?—No. We are increasing by one and a half lakhs every year.

6507. Do you advance on the security of goods?—We very rarely succeed in doing so.

6508. There is no demand for such advances?—People are not accustomed to mortgage their goods just as they do in Bombay. In Bombay nobody is ashamed to lodge his goods, but here if anybody puts his goods in a godown, he loses his credit.

6509. Do not the bigger merchants pledge their goods with the Imperial Bank?—No.

6510. I expect there must be people who borrow from outside at a higher rate of interest than what you charge. Why do these not come to you?—Our methods are found a bit hard by them because we make enquiries and investigations as to the object of the loan and when it will be repaid and all that.

6511. You say that urban banks should help joint stock companies. Is not there a difference in the objects served by them?—(*Diwan Bahadur Mehta*): We have made this suggestion not to keep up an antagonism for nothing. If they want to join on co-operative principles, there should be no bar. That is what we say.

6512. What is the principle on which joint stock companies could join co-operative societies?—(*Rao Sahab Jadav*): The very fact that they become members of our bank shows that they accept our principles.

6513. The main principle is your limitation of dividend?—(*Diwan Bahadur Mehta*): Yes. As a member they will not get more dividend. This is some primary lesson for them.

6514. Are you not allowed to take joint stock companies' shares as security?—(*Rao Sahab Jadav*): A proposal was sent by my bank and it was turned down.

6515. Was it turned down on the ground that joint stock companies' shares are not sound, or on any other ground?—(*Diwan Bahadur Mehta*): No reason was given.

(*Rao Saheb Jadav*): Only the bye-law amended by us was rejected by the Department.

6516. This was not on the ground that the shares of joint stock companies are not necessarily a good security?—(*Diwan Bahadur Mehta*): We do not think so; otherwise the department would have given that reason.

6517. You say "As I have said above, joint stock banks do not much interest themselves in making advances in the *mofussil* towns. What advances they are making are against the security of Government and Municipal loans and shares of approved joint stock companies. These banks sometimes undertake some big business of granting accommodation against goods lying in the bank's godown. At times they also purchase usance bills bearing one good endorsement. Under the circumstances, there is not much scope for competition between joint stock banks and co-operative banks at least in the matter of advances." Do you state this merely as a fact or do you want to say anything about this?—(*Rao Saheb Jadav*): There is no grievance. In the questionnaire you ask whether there is any competition between co-operative banks, joint stock banks and the Imperial Bank, and I say that so far as loan business is concerned, it is not there; but we find the competition in deposit business. (*Diwan Bahadur Mehta*): I would go further and say that as the competition has come in, it must be stopped, otherwise how are these people to be helped?—It is a matter of grievance.

6518. That is exactly what we want to know. If the Imperial Bank or any other bank is offering better terms and giving more facilities to trade and commerce, why should you make that a grievance?—(*Diwan Bahadur Mehta*): We are starting with the idea that ours is a small concern, and so I say that certain protection should be given to the small concerns of the people, otherwise the bigger concerns might eat up the whole bread and leave nothing for us.

6519. Is this an argument only against the Imperial Bank or any other joint stock bank?—I would say for any joint stock bank that comes in the field and acts with its superior organization and superior power of money behind it. It might afford to lose a few shillings but we would not be able to do that, and so we cannot stand against them.

6520. But if they serve the public better than you why should you feel disappointed?—In that case co-operation should bow down and be off the stage.

6521. As regards the financing of artisans, is anything being done by your bank at present?—(*Rao Saheb Jadav*): We are financing some artisans.

6522. You say in one or two places in your statement that they find a great difficulty in getting finance. I was just wondering whether you are not financing them, and if so, why not?—The difficulty is that those artisans who have not tangible security or substantial sureties to offer cannot be helped unless they form themselves into a co-operative society, and they have not formed themselves into a co-operative society so they cannot be helped. Even after the formation of such a society, there is another question to be decided as to who should finance it, and unless this point is decided an urban bank would not like to be interested in their formation.

6523. The question is whether the artisans should be financed by the central bank or by the people's bank?—People's bank.

6524. You say that they ought to be financed by the people's bank because they are in direct touch with them?—Yes.

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6525. And the present rule is that they ought to be financed by the central Bank?—No there is no such rule. The point has not been decided, but the district bank has at present in its bye-laws the power of financing artisans' societies. The development of industries, arts and crafts is one of the objects in the Surat Central Bank's bye-laws, and we cannot finance any societies under our bye-laws.

6526. As Vice-Chairman of the Gujerat Urban Banks' Supervising Union Ltd., can you say whether other urban banks in Gujerat are developing well?—I cannot say that.

6527. Why?—In the first place there is not good management. The Department has always complained about that.

6528. That is about the staff?—Yes.

6529. Are these managers not trained?—They are not trained as managers. They are trained for a clerical post. To be bank managers they should have particularly a higher training.

6530. What must be done if the urban bank movement is to be developed?—I say that people, who have passed the Bachelor of Commerce examination or Institute of Bankers Examination or have a long banking experience, should be taken as managers.

6531. Can urban banks afford to pay them an adequate salary?—(*Diwan Bahadur Mehta*): Therefore we say that there must be a grant.

6532. You suggest some subsidy should be given to urban banks in order that they might engage such qualified men?—Yes.

6533. For how many years would you require it?—(*Rao Saheb Jadav*): For two years.

6534. Do these urban banks do other kinds of business as a joint stock bank does? Is your bank doing all kinds of business?—Yes, we are doing all kinds of business. Only we do not handle big business.

6535. That is because you have not capital?—It is not the question of capital but I am just trying to be within the co-operative principle as understood at present.

6536. What is the difference between your bank and a joint stock bank?—There is the limitation of dividend, and one man has one vote.

6537. If you expand your business, will it not come in the way of your two principles?—No. (*Diwan Bahadur Mehta*): Rao Saheb Jadav said just now "I am trying to be within the co-operative principle 'as understood at present'." He is right in saying so, because at present the impression goes that if a co-operative bank handles bigger business it becomes un-cooperative.

6538. Was this point discussed and any misapprehensions removed?—(*Rao Saheb Jadav*): So far as my bank is concerned, it is practically settled that we can develop on certain lines.

6539. But if your bank can develop on certain lines the other urban banks also can develop on those lines?—Yes, provided my rules are adopted as model by the Registrar, and the other banks engage a trained manager and adopt these rules.

6540. The Registrar would not allow the big business to be done by these other urban banks because their management is not good?—It is not possible for these banks to engage qualified men because they cannot pay more, and they cannot develop their business and earn enough unless they engage a better manager.

6541. *Professor Kale* : You have referred to the members of managing committees in village credit societies and you want certain restrictions being put on them. Do you not experience a similar difficulty in the case of urban banks ?—In urban banks we have a separate supervising board for sanctioning loans to members of managing committees, and it is this supervision board which sanctions loans to members of managing committees.

6542. What I mean to say is that this danger is likely to be common both to rural societies and urban societies. Only it may take different shapes ?—Yes, there is a possibility for *benami* transactions in both the cases.

6543. *The Chairman* : It can be said that the members of an urban bank are in a better position than the members of a village society ?—Yes.

6544. They may be more clever in getting round the rules ?—(*Diwan Bahadur Mehta*) : It may be that some educated people may have some sharper wits to get round the rules, but the general conclusion is that the better class of people would not do so.

6545. *Professor Kale* : But is it not awkward that a member of a managing committee should not be able to get a loan except under the special conditions ?—It is a matter of detachment. His own interest should not conflict with his own duty.

6546. He ought to be treated just as any other ordinary member would be treated ?—But the question is who is to sanction the loan. For ordinary members the managing committee members can sanction a loan, and for members of the managing committee, we have the supervising board to sanction the loan, in case of urban banks.

6547. Supposing the general body is asked to elect another board to sanction loans to members of managing committee, what would you say to that ?—And in villages we have not been able to find men for another board. I do admit that our remedy will not put an end to all the frauds that will be going on in this world since its first starting up to the time of its ending. We have suggested one way to remedy this existing practice.

6548. You must have a remedy, no doubt, but it should be compatible with the principles of co-operation ?—We have suggested a remedy which seems to us to be better under the present circumstances, but if you do not want to adopt it, you can set it aside.

6549. You mean that in a smaller society the likelihood of influencing one another is greater, that is to say, the co-operative spirit has not yet permeated ?—The co-operative spirit has not yet permeated and it will take time.

6550. You want the joint stock companies to be brought into the Co-operative Movement. Do you not feel that there is the danger of the Co-operative Movement being used for the private ends of certain individuals ? Assume that there is a joint stock company and you want to finance it. Would not the directors of the company become the members of your bank ?—If the joint stock company becomes a member of our bank, it can have only one vote.

6551. And the directors in their own personal capacity can become members ?—Yes.

6552. Have you thought out some remedy by means of which the danger that lies ahead can be avoided ? I can understand your desire that middle class industrialists should be assisted and that the Co-operative Movement should be brought into line with that kind of business, but I apprehend certain difficulties and certain complications.

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Have you thought out the possibility of those difficulties and complications and the remedies to overcome them?—These joint stock companies will not be in a position to dominate so much as in other places they are likely to do.

6553. In Surat are you going to limit to a joint stock company the amount to be taken up by them in shares of a co-operative bank?—(*Rao Saheb Jadav*): Under the Act no institution can have shares worth more than Rs. 3,000, in a co-operative concern.

6554. Have you this limitation?—Yes.

6555. Another limitation will be necessary as to the number of joint stock companies becoming members?—At the present moment there may not be more than one or two joint stock companies in a *mofussil* town.

6556. You do not apprehend much danger on this account?—No.

6557. In any case you think that it is an experiment worth trying?—Yes.

6558. *Mr. V. L. Mehta*: You have been referring to the surplus fund of your bank. May I take it that all these Rs. 3,65,000 represent your surplus fund or does only a part of these represent your surplus fund?—(*Diwan Bahadur Mehta*): The surplus fund would be about one and a half lakhs of rupees.

6559. You are aware of the controversy raised on the ruling of the Government of India about co-operative banks doing exchange business?—(*Rao Saheb Jadav*): Yes.

6560. Will you mention as to what your views are on the subject?—As regards the business of buying and selling remittance, my opinion is that co-operative banks have to do this business in their own interest. It is not for earning commission that this *hundi* business is to be handled by co-operative banks. Co-operative banks are opening savings bank accounts and current accounts. Yesterday we were told by the Chairman of the Surat District Bank that they have very large deposits in savings and current accounts and the money that they have to lodge in the Imperial Bank to keep fluid resources gets no interest and that they have to maintain a certain balance with the Imperial Bank to meet their ordinary requirements. In order to avoid this course my idea is that these co-operative banks must handle *hundi* business. Lots of people will then be coming to us for purchase and sale of *hundis* so that we will have always fluid resources with us. If we find that on a particular day there are withdrawals, we will only sell drafts and appropriate that sum towards meeting the demands of our depositors. In this way we shall be able to avoid depositing large amounts with any institution without interest. This is how the business of buying and selling remittance is likely to help the co-operative banks. I think if this Committee will put this idea before Government of India and if the latter will appreciate the importance of recognizing this business as fully co-operative, I hope, the co-operative banks will have in course of time few occasions to take advantage of the concession of free remittance transfer receipts, if they are able to develop *hundi* business.

6561. *The Chairman*: In some cases during the season money has to be sent by remittance transfer receipts because there are many drafts drawn on Bombay, and the question is whether the concession given by Government for transfer of funds to co-operative societies would also be utilised for doing this business?—During that period the district central banks or any co-operative bank or banks handling exchange business will be able to utilize these funds for giving loans to agriculturists. At present, as co-operative banks have not been able to develop the *hundi* business, this money

which should really go to the district banks does not go there but it goes to some other people; and when the district banks want money for advancing loans they have to get it by remittance transfer receipts. If these district banks are allowed to develop *hundi* business, there will be no necessity for them to use the remittance transfer receipt concessions.

6562. Till then they have to be used?—Yes. The point is that mere handling of remittance business does not increase the use of remittance transfer receipts, but on the contrary, it lessens it.

6563. *Mr. Buckley*: Will there be any objection to your using this privilege of free remittance and doing *hundi* business?—I can say that so far as Surat is concerned there is no objection from any quarter, but I have learnt that at certain places the Imperial Bank is raising a hue and cry against co-operative banks doing this business.

6564. *Mr. V. L. Mehta*: You say “As the Bombay Provincial Co-operative Bank is not a member of the clearing house, the drafts drawn on it by the *mofussil* co-operative banks do not find an easy market. Payees of drafts prefer to get drafts on a clearing bank, as these drafts facilitate collection”. If the Provincial Co-operative Bank is admitted as a member of the Clearing House, will this difficulty be solved?—Yes.

6565. *The Chairman*: Could you tell us roughly the number of bankers whom you can count as indigenous bankers because in your personal capacity you said that there were very few firms which can be called indigenous bankers' firms, who are being accommodated by other banks and to what extent? Are indigenous bankers helped by your urban bank?—At present indigenous bankers do not come to my bank for help, but money-lenders sometimes come to our bank.

6566. Do you mean the *choksis*?—Besides money-lenders the *choksis* also come to us, but they do not do *shroffi* business.

6567. Is your transaction with the money-lending class considerable?—I deal with such money-lenders who can lodge with me Government and other trustee securities.

6568. Do you get deposits from *shroffs*?—No. I get deposits from certain rich people.

6569. Who are or were doing *shroffi* business?—No.

6570. Do they ever get into touch with you in connection with their transmission of funds?—The *shroffs* sometimes approach me for this business, but I find that my rate never suits them. I have always to charge something more than one anna, which the Imperial Bank charges, because it gets free money and it has the control of treasury chests. So it is always able to purchase *hundis* at one anna. I cannot charge one anna unless when I have money to remit to Bombay. If I have surplus cash in Surat, I can possibly charge one anna; but if I want to do regular commission business, even with the concession of remittance transfer receipts I cannot do it at one anna because the actual cost by way of loss of interest will be one anna, and I must, therefore, charge more than one anna if I want to do *hundi* business.

6571. *Mr. Kamat*: In your scheme of development of urban banks and general organization of banking facilities in the district, you are virtually asking for a monopoly for the urban banks?—I do not ask for a monopoly.

6572. You want the privilege of financing industrial concerns and joint stock concerns?—No; we want to be allowed to admit these as members of a co-operative

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bank. For instance, in a place like Rander, there would not be more than one or two such concerns. Even in Surat we have not more than one.

6573. Is this a question of monopoly when you want to have a sole right?—No.

6574. You want to have protection in a way that other kinds of banks should not be allowed to do business, that is to say, branches of joint stock banks or branches of even the Imperial Bank should not come in?—(*Diwan Bahadur Mehta*): That is what I said so far as the middle portion of my statement is concerned that they might elbow us out, and therefore, we ought to be protected. I mean in practical working there is no monopoly in the small concerns.

6575. So you do not mean a regular monopoly?—No.

6576. On this question of permission to make advances to joint stock concerns, do you not see some element of danger in the fact that if you make a wrong selection the money advanced by you is in danger. Assume that you advance money to a sugarcane manufacturing concern and think for the moment that you have made a very good selection. Now this concern depends for its success on the technical skill of one man or on the efficient management. Assume that for want of any one of these two things, the business fails, is there no danger for your money?—(*Rao Saheb Jadav*): Yes. In that case there is a danger to my money, but we lend on certain security. Our rules say that we can lend only Rs. 2,000 against two sureties, and if something is required over and above this amount, we can lend on raw commodity to the extent of 60 per cent. or else the borrower should lodge with us trust securities or manufactured goods. Herein lies our safety. (*Diwan Bahadur Mehta*): In any way, if we make a wrong judgment, it is bound to fail. For every case, wherever your judgment is wrongly exercised, the consequences must follow.

6577. In case of advances on the security of shares of joint stock companies, even if a borrower agrees to maintain a 40 per cent. margin on the market value of securities, if these shares become unsaleable, then you run a risk?—Certainly, we run a risk, if we have selected such shares.

6578. It has been suggested that for the promotion of industries there should be industrial banks, the directors of which should satisfy themselves about the probable success, etc., of concerns. In addition to your urban banks would you like to have industrial banks working in the district?—(*Rao Saheb Jadav*): If we have good development in the business, I will not mind them at a later stage. After the urban movement is developed, if we find that industrial finance is a subject by itself, we will divide our banks into commercial co-operative banks and industrial co-operative banks. That is exactly what Professor Kaji says in his note on "Industries of Surat".

6579. That is to say at one stage you would like industrial banks to come in and specialise in the sphere of financing industries, even though they may take away a certain portion of your business?—Yes. Co-operation is not competition.

6580. *Mr. Buckley*: As I understood you in your reply to the Chairman with regard to the definition of a bank, you said that in your opinion the name "bank" should not be used unless there were capital and reserve of five lakhs of rupees?—That is my ideal. I only meant that the institution does not deserve to be called a bank.

6581. You would not have so many banks now unless they were smaller in their earlier days?—Yes. Government also discard in their statistical tables all banks that have a share capital of less than a lakh. This does not mean that they cannot be called banks. Only they do not reach a certain standard.

6582. You say : " Though the co-operative banks are gradually entering into the technical side of banking business and though at the meetings of the managing committee of co-operative banks knowledge and experience of business methods is necessary, the members of the managing committee have to work gratis even when the institution is progressing ". This is a considerable departure from the custom of voluntary service in connection with co-operative institutions ?—I find that payments are made in England. Somehow in India people understand that Indian people must work gratis. (*Diwan Bahadur Mehta*) : Having started with this ideal, we are still sticking to it.

6583. In your reference to allow your bank to do business on the security of shares of joint stock companies you cite a case in your written evidence wherein you say : " A member has a running business. He wants a loan of Rs. 5,000. His relative or friend is prepared to help him, but to be able to get Rs. 5,000 from a co-operative bank, the latter must agree to mortgage his property to the bank or the former must pledge his goods. If the relative or friend has some investments in shares of joint stock companies, they cannot be accepted by the co-operative bank even as a collateral security." Is there anything under your existing rules to prevent you from accepting such shares as a collateral security ?—(*Rao Saheb Jadav*) : If we want to advance to the extent of Rs. 2,000 we must have two sureties. If we want to advance more than Rs. 2,000 we must have goods or immovable property offered to us as security. This is our bye-law. So we proposed an amendment at a general meeting to the effect that to a certain extent advances may be made on the security of shares of approved joint stock companies. Of course the proposal was turned down.

6584. Supposing he applies for a loan to serve his normal purpose, is there anything to prevent you from taking those shares as a collateral security ?—There is nothing to prevent us from taking those shares as a collateral security, but the loan sanctioned will not be in accordance with our bye-law.

6585. *Mr. Desai* : We have heard that postal cash certificates, the Imperial Bank and other joint stock banks are draining away the local resources. Are you not repeating the same grievance when you are investing such large amounts in banks and in investments ?—No. In the first place the moneys that we invest in Government paper and banks are moneys which we have to keep on hand. They are savings bank and current account moneys which any prudent banker would like to keep invested in such a way that it could be easily availed of.

6586. But the result is the same, viz., you are draining away the local resources ?—Under our rules we are bound to utilize our money in our district or city, and instead of allowing our fluid resource money to lie idle with us we are earning some interest on it by putting it in another bank or investing in Government paper.

6587. But from this do you not find that you are not advancing adequately ?—We advance a good deal. I say that for a bank of seven years standing out of 9½ lakhs to find 6½ lakhs on the lending side is not a bad thing. Certainly I am quite satisfied with it.

6588. *The Chairman* : How far has your bank succeeded in popularizing the use of cheques ?—We have many cheques drawn against current accounts with us.

6589. Are these cheques usually drawn by account holders and cashed, or do they pass through the *bazar* ?—They pass through the *bazar* and sometimes they come through the Imperial Bank or the Bank of Baroda.

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6590. As regards savings bank accounts, have you a large number of savings accounts?—There are about 600.

6591. What class of people go in for these?—All classes, both rich and poor, go in for savings bank accounts.

6592. Does your bank go in for purchase of Government securities for its members?—Yes.

6593. Do the members take advantage of this facility?—Yes.

6594. Where do you purchase them?—In Bombay. We sometimes purchase them through the Provincial Co-operative Bank and sometimes through a broker recommended by them.

6595. What dividend have you been paying?—Eight per cent.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Wednesday, the 26th November 1929.

Wednesday, November 20th, 1929.

SURAT.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.

Mr. B. S. KAMAT.

Mr. H. V. DESAI.

Mr. V. L. MEHTA.

Professor V. G. KALE.

Mr. R. P. MASANI (*Secretary*).

Mr. P. I. PATEL, Sonsek, district Surat.

(*Summary of Replies to the Questionnaire in Gujarati.*)

Rate of interest paid by agriculturists varies from 9 to 15 per cent.

The help in respect of *taccavi* is not sufficient. I estimate agriculturists' indebtedness in our *zilla* at 100 crores. Credit facilities to the extent of one crore per annum are required.

Sale and purchase societies would be beneficial. The agriculturists are ruined by the introduction of machinery. Hand-made stuffs are more durable, and therefore, they should be encouraged and machine made stuffs discouraged.

The cotton sale societies have been operating in Surat for about twenty years. They have made good profits. The co-operative bank makes advances against goods but the rate of interest is still high. To admit of the rate being reduced, Government should advance moneys to the bank free of interest.

The small facilities given to agriculturists in respect of remittances, etc., are of no value compared to the immense loss inflicted by the 18*d* ratio.

To avoid famine conditions, irrigation facilities are necessary.

The condition of agriculturists can be improved if the following requirements are fulfilled :—

- (1) Instruction in agriculture, thrift and co-operation should be given in schools.
- (2) Caste restrictions should be abolished.
- (3) Machinery should be displaced by manual labour.
- (4) The assessment in respect of land should be fixed having regard to the produce.
- (5) Construction of canals.
- (6) Advances to farmers by banks at low rates of interest.
- (7) Farmers should be given adequate price for their produce.
- (8) Subsidiary industries should be introduced.
- (9) The rate of sterling exchange should be reduced.
- (10) The indebtedness of agriculturists should be redeemed.

Mr. P. I. Patel.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am a District Honorary Organiser, Sonsek, *taluka* Olpad. I am the District Honorary Organiser for all the cotton sale societies. My Sonsek society was the first cotton sale society. It was started in 1919 when the prices were high, but suddenly the prices went down from 44 cents. to 12 cents. in America, so they had to combine. There were 12 members in the beginning. They collected 12 *bhars*, that is 24 maunds of cotton, which was ginned and sold after about a month. They got about 25 rupees more per *bhar* than they would have got if raw cotton was sold. Next year the number of members increased to 32, and they sold about 125 *bhars*. For three years we worked the society without registering it, and it was registered during the fourth year of its existence. At present we have 560 members, and there are about 50 more applications. The Agricultural Department began to give us selection "A" seed, and we distributed the same seed among the members, and the society gets the *kapas* ginned. For the first few years we used to get this ginned by one gin owner, with whom we had entered into an agreement. For the last three years we have our own ginning factories. We pool our cotton together. As soon as the cotton is brought by the members, we pay them 75 per cent. of the price, and the balance is paid at the end of the season, when the average is struck, and each member is paid at the same rate. Advantages of selling the cotton through the society are that there is correct weightment and no *karda* or reduction in price is made. They get better rates, especially when the prices are low. The merchants sometimes pay to non-members much less. Members get 75 per cent. of the price at once, whereas those agriculturists who sell outside the society have to wait for fifteen or twenty days, and sometimes when the merchant becomes insolvent, the agriculturist loses the whole amount.

Our society's capital is Rs. 50,000 and the extra amount is obtained, if necessary, from the Central Bank as a loan. We sold four lakhs worth of cotton last year. Last year our capital of Rs. 50,000 was enough to meet the demands of members as there was a fairly good turnover. Other societies have to borrow. About 14 lakhs worth of cotton was sold in this way in the whole district. The number of members is increasing every year, but it is not increasing fast, because good and sound men do not join the society as the management of the societies is not satisfactory. So long as the district bank is there, we have not felt any difficulty as regards the finance.

We have not felt any necessity for godowns yet, because when the rate is low, the owner of the press where the cotton is pressed, allows us to keep it in his godowns.

Our cotton is usually purchased by *adatyas*, who come here on behalf of the millowners of Ahmedabad and Bombay. They pay us within twenty-four hours after the cotton is weighed.

I estimate the agriculturists' indebtedness in our *zilla* at 100 crores of rupees. It is only a rough estimate.

The co-operative societies charge seven per cent. on advances made to members, and after rebate the rate works out at 6½ per cent. If Government places money free of charge at the disposal of the co-operative societies, we can lend money at five per cent. to agriculturists.

When I say "Caste restrictions should be abolished," I suggest that unnecessary marriage and death expenses should be abolished, so that the economic condition of the agriculturist would improve.

The societies do not purchase cotton outright, as it is a risky business to do so. Cotton was sent to Bombay by three cotton sale societies, and as the prices here were low, there was some advantage in sending it to Bombay.

In order to improve the economic condition of the agriculturists, the indebtedness of the agriculturists should be redeemed. There should be some sort of Rural Insolvency Act. The lands should be sold, and the creditors should be given four annas in the rupee, and the agriculturists should be made free from debts. I pay an assessment of Rs. 148. I own 32 *bighas* of land.

There is a postal savings bank in Sonsek, but the agriculturists do not deposit there, because they have no money with them. Some of them, who have some money, keep it with their relatives. Members have deposited about Rs. 15,000 with the societies. People do not invest in savings banks because the rate of interest is only three per cent. and there is much inconvenience at the time of withdrawing the deposits.

(The witness withdrew.)

Mr. KALIDAS BHARATIA, Shroff, Surat.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am a *shroff*. My *pedhi* dates back to about a hundred years. I have been doing business for thirty years. During this period our business has gone down, because banks have been started. Merchants have been benefited by the banks, but our business has suffered much, especially our *hundi* business has been affected. There is competition of the Imperial Bank as the bank discounts *hundis* at only one anna.

There are only two *shroffs* in Surat. The *choksis* deal in gold and silver ornaments.

Formerly a good deal of capital was with us without interest, but now we do not receive so much deposits as the money goes to the banks.

Mudati hundis are not used now. I think there is less confidence now, but if the stamp duty is abolished, the business may be revived.

It would be better, if the *shroffs* are registered and their accounts are audited, as that would increase their credit.

In *Samvat* 1922, 25,000 rupees worth *hundi* was discounted, and the charges were Rs. 4-11-0 for a week, which would work out at three annas per cent. per week, that is nine to twelve annas monthly.

Formerly about a lakh of rupees worth of *hundi* business was transacted every day. At present there is very little *hundi* business. The facility given by us is that we allow them to take *hundis* at any time of the day, even at night, which the Imperial Bank cannot do. But the discount rate is low in the Imperial Bank, and therefore, it competes with us. If Government gives us money free of interest, or at a nominal rate of two or three per cent., we can compete with the Imperial Bank, and we can advance money to the agriculturists at cheap rates. The managers of the Imperial Bank are not conversant with the local conditions in villages. The Imperial Bank does not finance the agriculturists, whereas we can finance them at easy rates if facilities afforded to the Imperial Bank are given to us. The managers of the Imperial Bank do not even recognise us.

Mr. Kalidas Bharatia.

Our *hundis* are current all over India. Our *hundis* are taken to Nabisar in Sind, Marwar, Madras, Khandesh, Berar and other places. Sindhis come here for selling bullocks and horses, and they take away our *hundis*. Some people bring cotton and other produce, and after selling it they take our *hundis*.

The Income-tax Office sees our account books and our credit is lowered, and the depositors also are not willing to deposit with us. This is not done in the case of the Imperial Bank.

There should be some amendment in the Insolvency Act, and it should be made more rigid, as at present many people declare themselves to be insolvent with ease.

The Dekkhan Agriculturists' Relief Act should be abolished, so that the relations between the *sowcars* and agriculturists may be improved, and the agriculturists would be financed by them.

Co-operative societies advance money on the security of sureties, but we advance on personal security (*khata*). We charge ten to twelve annas, but not more than twelve annas. Some *sowcars* charge more than twelve per cent., and they also charge purse loosening money.

Generally *shroffs*' business is receiving money and lending money, and they do not speculate. Government should register pure *shroffs*, and there would be no risk in entrusting the public funds to these *shroffs* without interest, and the agriculturists would be benefited, because *shroffs* would be able to advance money to the agriculturists at cheap rates.

The co-operative banks have not done much good to the public, and if branches of the co-operative banks are opened in *talukas*, they would send the money to the head office in Bombay.

(The witness withdrew.)

Seth DALICHAND VIRCHAND, Shroff, Naneapura, Surat.

(Summary of Replies to the Questionnaire in Gujarati.)

SECTION I.

QUESTION 1.—Rate of interest is 9 to 12 per cent. against ornaments.

It is not customary to advance loans against standing crops, but cotton merchants enter into formal contracts and pay earnest money in advance free of interest.

The indigenous bankers do not lend freely to agriculturists owing to the Dekkhan Agriculturists' Relief Act.

The agriculturist is indebted to more than one person. The debt increases. The agriculturist's expenses increase. The dearness of cattle, manure, implements, labour, etc. and the reduction in the value of land are some of the causes of the present unsatisfactory condition of the agriculturist.

There may be an improvement in his condition if the exchange ratio is 1s. 4d. and if seeds and implements are supplied to the agriculturist at reduced rates.

QUESTION 2.—If there are facilities for warehousing the produce and for advancing against it to the extent of 50 to 60 per cent. of its value, the cultivators would not have to dispose of the produce at low rates. In November and December the agriculturists want money and have to sell off their produce at reduced rates. During this period the help of a co-operative bank or society would protect them.

QUESTION 7.—There is competition between joint stock banks and co-operative banks regarding exchange business. Current account holders with the Imperial Bank or with the Baroda Bank can get their cheques cashed at different branches of these banks at par, but the co-operative banks having no branches are unable to afford these facilities. The co-operative banks should, therefore, organise a union with the object of giving facilities to their customers to get their cheques cashed at par.

SECTION II.

QUESTION 1.—The indigenous bankers and banking institutions in Surat receive deposits from, and gives advances to, dealers in gold and silver and gold thread industry. These *shroffs* ordinarily do *hundi* business and do not lend moneys to agriculturists.

QUESTION 5.—The *shroffs* have overdraft facilities with banks. They also borrow from *sowcars*.

The rate of interest paid by *shroffs* on their borrowings is usually 6 per cent. During the monsoon months it is reduced to 4½ per cent. and during the busy seasons it is enhanced to 7½ per cent.

QUESTION 6.—It is not the practice with indigenous bankers to insist on advances being drawn in the shape of commodities purchased through them or repaid in goods sold through them.

The agriculturists generally pay interest to *shroffs* at the rate of 9 to 12 per cent.

QUESTION 8.—The *shroffs* would render greater service to the community, if they are given facilities for the recovery of their dues and for the speedy disposal of law suits and for restricting the applications of the Insolvency Act to merchants only.

Accounts are kept according to the *deshi* system and are shown to customers desiring to see them.

SECTION III.

QUESTION 5.—There being no banks in *taluka* towns, the village people do not come in touch with banking institutions. It is, therefore, necessary to open banks or branches of banks in *taluka* towns.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am doing only money-lending business. I advance both to merchants as well as to agriculturists. My business with agriculturists has been decreasing. We charge from 7½ to 12 per cent. and usually 9 per cent. on the mortgage of land as well as on promissory note. We also advance on the security of gold and silver ornaments to merchants. We charge about 9 per cent. to merchants. We do not advance agriculturists on the security of the produce. Generally agriculturists have two or three *sowcars*, and they require money in December and January and again in July and August. Merchants need money from February.

There has not been a great advantage from the Imperial Bank branch here. Some merchants might be getting advances from the Imperial Bank, but I do not take any money from the Bank. I do business from my own capital. We do not receive any deposits, and we do not deal in *hundis*.

Seth Dalchand Virchand.

It is very difficult to recover loans advanced to agriculturists on account of the Dekkhan Agriculturists' Relief Act, and there is much delay in recovering it.

We do not advance agriculturists on the security of produce, but I have suggested that banks should advance money to agriculturists on the security of goods.

I have no experience of *mudati hundis* as I do not deal in *hundis*.

We advance some money to small traders, but these small traders spend more money and take advantage of the Insolvency Act, and, therefore, merchants fear to advance them. Generally merchants help the craftsmen, and there is no association of these craftsmen.

There being no banks in *taluka* towns, the village people do not come in touch with banking institutions. It is, therefore, necessary to open branches of banks in *taluka* towns. It would be better if branches of the co-operative bank are started, because the co-operative banks would be useful to agriculturists.

I am doing only money-lending business and not doing the business of a *shroff*.

The Imperial Bank has not helped the trade and industries of Surat by opening a branch here. I do not think it would be possible to give the agency of the Imperial Bank to the indigenous bankers. But it would be possible if the indigenous bankers do the business of *shroffs* only and no other business either directly or indirectly. I think in that case the trade of Surat would be benefited.

The agriculturists have not to pay more interest on account of the Dekkhan Agriculturists' Relief Act, but they have to sell their lands, and there are chances of frauds. If the Dekkhan Agriculturists' Relief Act is abolished, there would be no need to sell the land. If facilities are given to *shroffs* for speedy recoveries of advances, they would render greater service to the community, and the rate of interest would be lowered.

(The witness withdrew.)

**MANCHHARAM SHIVLAL KHANDWALLA, Esquire, B.A.,
Wadifalia, Surat.**

Replies to the Questionnaire.

1. In my humble opinion the Dekkhan Agriculturists' Relief Act should be repealed at the earliest possible opportunity, unless Government can manage to facilitate loans to agriculturists on the same easy and convenient terms on which it expects private individuals to advance loans to the agriculturists. The Act does more harm than good to the agriculturists. Not only the repeal of the Act is necessary but creation of an atmosphere of assurance and confidence is also necessary so that the money-lending class can have not the least apprehension that their dealings already entered into would be affected by any such Act in future as their dealings entered into before the operation of the present Act were affected by the present legislation. There ought to be a declaration that in future no legislation would come in existence by which special favour would be shown to one class or community. Without this being done, there is no likelihood of the credit of agriculturists, which has suffered much, being revived in the near future, that is, till the effects of the present Act are altogether obliterated from the minds of the money-lending class. My reasons for this view are as under :—

(a) Owing to the difficulties, inconveniences and losses to which lenders are put on account of this Act the number of lenders to agriculturists has become and is still

becoming more and more restricted and limited, and as a result high concessions in the forms of heavy rates of interest and discount, etc., are demanded by those who have the courage to advance loans in the face of this legislation, as the supply of lenders is much less in proportion to the demand.

(b) Instead of deeds of mortgage, agriculturists have to pass deeds of sale in order to secure loans and thus they are compulsorily forced to part with the ownership of their holdings and thus this Act has encouraged the practice of sales where mortgages would have been quite sufficient. Not only this, but in certain cases, lest the salee may be interpreted as mortgages by courts of law, the lenders insist that the borrowers cannot even be maintained as tenants of the property. In short, the lenders insist that the borrowers should not be in the slightest touch with the property.

(c) The borrowers have to depend upon the good sense of the lenders for the reconveyance of the property when they have sufficient funds to do so, since the borrowers, being at the mercy of the lenders to secure the loans especially because the number of lenders is very limited, as explained above, cannot insist upon having an undertaking in writing for reconveyance. Besides, even if certain straightforward lenders are willing to give such an undertaking in writing, they cannot put their honest intention in practice fearing that the transaction may be treated as a mortgage and not as a sale.

(d) When the transaction is *de jure* a sale and *de facto* a mortgage, sufficient margin is required by the lenders, and if ultimately the property through the dishonest motives or any other reasons is not reconveyed by the lenders, the borrowers are the losers of the margin amount which cannot be less than about 40 per cent. of the value of the property.

(e) On account of this Act, honesty in dealings with agriculturists is at a very heavy discount and generally the class of honest lenders is out of the field.

(f) On account of this Act, some of the agriculturists also are inclined to act dishonestly with the lenders, who are not fully conversant with the spirit of this Act. They at first negotiate a loan on whatever terms demanded by the lenders and then proceed to the courts of law to secure benefits under this Act.

(g) Where actual sales have been effected and subsequently the values of the properties sold are found to have much increased, agriculturists are inclined to proceed in a court of law stating such sales to be nothing but mortgages.

(h) This Act gives much encouragement to the agriculturists to enter into costly and troublesome but unfair and improper litigation.

(i) The credit of the agriculturists has been materially affected and is much reduced.

(j) The Act, instead of giving facilities and reliefs to the agriculturists, gives them insurmountable difficulties and troubles and encourages a lot of dishonest practice both among the lenders and agriculturists.

2. In my opinion vernacular scripts should be given the same facilities that are given to the English script. During the course of my business I have come across certain instances in which the public, making use of vernacular scripts, are put to unnecessary troubles and inconveniences. Whenever the cheques issued by the Indian Iron and Steel Co., Ltd., of Calcutta to the shareholders for dividends on the National Bank of India, Ltd. (Bombay branch), are presented for payment with the payee's signature

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in vernacular (Gujarati) they are returned unpaid with the remarks "Payee's vernacular signature requires bank's confirmation." It is well-known how difficult, nay, almost impossible, it is for a person not in touch with the banks to procure such a confirmation. As a result the cheques have to be returned to the company for making them payable to the "payee or bearer" instead of to the "payee or order." This practice of insisting upon bank's confirmation for a vernacular signature has been adopted only by the National Bank of India, Ltd. (Bombay branch), and that too only in case of the cheques for dividends issued by the Indian Iron and Steel Co., Ltd. The peculiarity is that even the Calcutta branch of this very bank does not insist upon bank's confirmation in the case of vernacular signatures of the payees and even the Bombay branch of this bank does not insist upon this formality in the case of any other cheques bearing signatures in vernacular scripts of the payees. There are not even special instructions of the Company to the Bombay branch of this bank on this point. Such a troublesome and inconvenient practice of the banks should be at once put a stop to as it unnecessarily creates a sort of prejudice in the minds of the public against banks which refuse payments and against companies whose cheques are dishonoured without any adequate or intelligible ground. The payees have to pay heavy discount charges for such cheques and have to correspond through the bankers with the drawer for amendment from "order" to "bearer" which they cannot themselves do on account of their illiteracy in English. Besides the payment of such cheques is very much delayed.

3. In most of those cases where signatures in vernacular script by males without any formalities are accepted, signatures by ladies in vernacular script require attestation by a magistrate or such other officer and that too along with the court seal. It is difficult to understand why there should be such a distinction and the ladies, who are in a highly disadvantageous position in comparison with males, should be required to fulfil such a troublesome and inconvenient formality. Females should not be put in a position different from that assigned to males, both being literate in vernaculars only. This sort of restriction plays an important part in discouraging dealings by females with banks as well as joint stock companies.

4. The Imperial Bank of India does not recognise "Succession Certificate" but insists most strongly upon "Probate" or "Letters of Administration" even in cases where "Succession Certificate" has been obtained and produced. This practice also puts those dealing with the Imperial Bank of India to unnecessary troubles and inconveniences besides unnecessary additional heavy costs and creates a lot of prejudice in the minds of the public. It has generally been the impression in the minds of the public that, whenever any payment is to be made to the bank, it is being accepted without any sort of delay; while any payment is to be made by the bank, number of obstacles are raised with a view to delay payment.

Oral Evidence.

6596. *The Chairman*: Mr. Khandwalla, you are a merchant and a banker?—Yes. I am an agent also for insurance companies, motor-cars, etc.

6597. What is your principal business?—Banking is my principal business.

6598. Do you as a banker finance both agriculturists and traders or only traders?—On account of the Dekkhan Agriculturists' Relief Act I am not inclined to finance agriculturists.

6599. But you are still financing agriculturists to a certain extent, are you not?—I have stopped financing them altogether. I have had two or three bitter experiences of this Act.

6600. But are there not some good agriculturists who can get loans at even 6 per cent. ? Would you not finance such people?—If I finance them, and in future they may not continue to be good agriculturists, it would be very difficult to recover the loans advanced to them.

6601. As regards traders, are you not experiencing any difficulties?—No.

6602. What is the usual rate of interest charged here on advances?—It is 6 to 12 per cent. ordinarily.

6603. Do you finance small industrialists?—If the amounts of advance made are quite safe, I can advance them, but I must look to my security.

6604. What interest do they pay?—They may pay any interest that is demanded,

6605. What is the usual rate of interest they are charged?—9 to 12 per cent.

6606. Is there any difficulty felt about getting finance in Surat at any time during the season or otherwise?—This depends upon the stability of the party demanding it.

6607. Quite so, but for a man of credit, is any difficulty felt about getting finance?—No.

6608. Are you in any way connected with the Imperial Bank?—I have a current account with the Imperial Bank.

6609. But you do not deal with your *hundis* through them?—Sometimes we have to encash our bills through them.

6610. Are you one of their constituents for taking advances against goods?—No. In dealing with the Imperial Bank there are too many difficulties which we have to face. If a man demands any advance against Government paper, even then, the officer goes from house to house and makes enquiries about that man. Nobody would like to deal with such a bank which exposes one's position.

6611. Do they make confidential enquiries?—Yes. Where is the necessity of making such an enquiry when a party deposits his Government securities with the bank leaving a sufficient margin to the bank? Instead of looking to the facilities of the public the officer of the bank desires that the public will not approach the bank and with this point of view the Imperial Bank is dealing with its constituents. This is the practice adopted by them, and this we can estimate from the manner in which the public are being treated.

6612. It does not seem logical that they should open a branch to do business and afford no facilities to the public?—It is my experience.

6613. Is there any way which you can suggest by which the Imperial Bank or any other bank can be more useful to local traders and merchants?—No hard and fast rule can be proposed. The staff of the Imperial Bank should arrange their affairs in such a manner that the public may get great benefit of this Bank.

6614. Has the use of cheques developed to any considerable extent since the duty on it was abolished?—It has developed to some extent, but this duty of one anna is quite immaterial to persons doing business. They never take into consideration this one anna.

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6615. Do you think that it is possible to encourage the use of cheques to a larger extent than it is at present?—Yes, provided the persons who are dealing with cheques may not be defrauded. Suppose a man gives a cheque and there is no sufficient money, how can you in that case encourage this cheque habit?

6616. Does this happen often?—It may happen.

6617. But there is only a possibility?—A person who wants to evade payment may give cheques so that he can evade payment for a certain time. If there is a pressure from a man for payment, he can evade payment by this method.

6618. The man who draws a cheque knowing that there is no credit to his account is liable to criminal prosecution?—He may be drawing a cheque with the expectation that he may put some funds before the cheque is presented for encashment and if his expectation fails the cheque will be dishonoured. Thus he can evade payment for some time.

6619. This is a contingency which might arise everywhere. Do you think the use of vernacular script will encourage the use of cheques?—Yes.

6620. In this particular case of the Indian Iron and Steel Co., Ltd., which you have mentioned in your statement, why was this rule about bank's confirmation insisted?—There is a lot of correspondence on this subject. I may also inform you that many other exchange banks also refuse to make payment in case of a vernacular endorsement.

6621. About the succession certificate, does the Imperial Bank require probate?—Yes.

6622. Do not the other banks also require probate?—I do not know that, but they are satisfied with the succession certificate.

6623. Do you receive any deposits yourself?—No. I do business on my own capital. I want to add a few lines before my evidence is over. It is unfair to maintain a bank or a company with its capital which is partly fully paid-up and partly contributory. The Imperial Bank and the Bombay Burma Trading Company are the cases in point. On a winding up in the case of the Imperial Bank the fully paid-up shares will get only Rs. 375 more than the contributory. The market rate difference is about Rs. 1,000. If the Bank's position is not sufficiently substantial to pay its creditors the partly paid shares will have to contribute to the extent of Rs. 375 only, the uncalled capital. In the case of the Bombay Burma Trading Co., on a winding up, the fully paid shares will receive only Rs. 75 more than the contributory. The present difference is about Rs. 500. In both those cases the contributory shares are in the majority.

6624. In short, you suggest that all shares should be fully paid-up?—Yes. I also quite agree with Mr. Kalidas Bharatia when he says that the account books of *shroffs* should not be put to such a sort of inspection by the Income-tax officer as is now required.

6625. If they agree to have their accounts audited by auditors then where is the objection?—They would not agree to have their accounts audited by certain auditors. They will have their accounts audited by their own clerks.

6626. Your suggestion is that the Income-tax officer should not look into their accounts?—The Income-tax officer should not look into the accounts to find out with whom the *shroffs* have dealings. They can look into the accounts to find out what profit they have been making, but I do not like their copying out several *khatas* and then harassing the persons connected with such *khatas*.

6627. *Mr. Kamat* : We have been told that in other countries there are banks by thousands. Even in villages, we are told, there are banks. On this ground some people have an idea that the number of banks in this country should also be extended. But as in this country we have the valuable institution of *sowcars* and *shroffs* already existing, to what extent, as an enlightened banker, would you push the idea of multiplying banks thereby extending the number of modern banks doing business under modern conditions ?—I cannot give you a definite reply to this question.

6628. Would you have such banks in district towns, *taluka* towns and in villages ?—I cannot say what would be the result of opening such banks.

6629. Do you not see any advantage at all in the opening of such banks ?—I cannot say what will be their result.

6630. Are you not in a position to say anything one way or the other ?—No.

6631. Would you advocate, at any rate, that the existing *sowcars* should be brought into a better state of efficiency and made to function like a bank ?—If this is done it would be in the interests of the *sowcars*.

6632. Between these two processes, that is to say, building on the old foundation and, on the other hand, opening new branches, which would you take up in hand first ?—I would like to take up the latter process since dealings of the bank would be open to inspection and public criticism.

6633. You realise that to improve the old *sowcars* you would in the first place require legislation, and in the second place, even if such a legislation is passed, say something like a Money-lender's Act, a pretty long time would be required to bring them up to the efficiency of a bank. In view of this delay would you take up the other process, *viz.*, starting of branches and leaving the *sowcars* alone ?—This can be tried and the results obtained.

6634. It has been suggested that there should be a sort of recognition given to *sowcars* by accepting some *sowcars* as certified *sowcars*. Assuming that you accept this position, would you concede to them the privilege that money which lies at present in the Imperial Bank from Government treasuries should be placed in the hands of these *sowcars* or *shroffs* ? Would you accept it as a condition precedent to their being recognised ? Would this be a fair method in the public interest ?—No, since public funds would not be so safe as they are in the hands of the banks.

6635. About this point "The Imperial Bank of India does not recognise Succession Certificate but insists most strongly upon Probate or Letters of Administration even in cases where succession certificate has been obtained and produced". I want to know whether this has caused widespread hardship ?—No. Those who have come into such difficulties would not like to deal with this Bank.

6636. Is this practice also followed by the other joint stock banks ?—No.

6637. That is to say by banks like the Bank of India or the Central Bank ?—No.

6638. Do they accept merely succession certificate ?—They accept indemnity bonds without even insisting for succession certificates, if they are satisfied that the party is substantial and they would not come into troubles later on.

6639. And similarly you think that the Imperial Bank should relax its rules ?—At least it must accept the succession certificates in place of letters of administration or probate.

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6640. - Again, the practice of the Imperial Bank is in the case of Presidency towns to accept title deeds of immoveable property as sufficient security for a loan whereas a similar procedure is not followed in the case of *mofussil* towns?—Yes.

6641. You think that the Imperial Bank should place the *mofussil* towns on the same level with the Presidency towns in this respect?—This facility should be given not only to the Imperial Bank in the *mofussil* town, but to all the merchants also. In the Presidency towns all merchants can advance on the hypothecation of title deeds. In the same manner these *mofussil* merchants should also be allowed to do the same.

6642. The time has come, you think, to extend this privilege to *mofussil* towns?—Yes.

6643. Has the time come to extend this privilege even to *sowcars* and to private bankers?—Yes. I say in a Presidency town anybody can advance money against the title deeds. Not only the bankers can do it but any private man can also lend money on the hypothecation of title deeds.

6644. In the Presidency towns title deeds are drafted by solicitors and presumably, I do not know that is a fact, but that might be one of the reasons why title deeds are given more freedom in the Presidency towns than the title deeds which are drafted in the *mofussil* towns very loosely and without any mutual discussion between the pleaders of both sides?—It is not the question of only title deeds. In hypothecation of title deeds a man need not pass any document and only a chit is sufficient that he has received so much money on the deposit of his title deeds. In the case of advances against title deeds no writing is necessary.

6645. *Mr. Buckley* : Have the Surat People's Co-operative Bank opened accounts with people signing in the vernaculars?—Yes.

6646. Would this be a large proportion?—I do not know the exact number, but I think there is a very large proportion. Even the pass books are issued in vernacular in the Surat People's Bank.

6647. Have you found any greater tendency towards forgery by giving this facility?—No.

6648. *Mr. Desai* : Will you express your views as to who advances against crops?—Generally the merchants advance money against crops.

6649. Does not the Imperial Bank make advances on crops?—It has very seldom advanced against crops.

6650. What part have the indigenous bankers played in financing the crops?—They advance their moneys to gin-owners. With these advances the gin-owners purchase the crops, and after selling the cotton they return the money to bankers and merchants.

6651. *Professor Kale* : On what security do the gin-owners get advances?—Without any security in certain cases.

6652. *Mr. Desai* : If such indigenous bankers seek sufficient support from a central institution and facilities for recovery of their loans, do you think that they will be able to serve the county's trade and agriculture better than other institutions such as co-operative banks on account of their more intimate connection and local knowledge?—Yes.

6653. What accommodation do indigenous bankers receive from the Imperial Bank?—Very little.

6654. Will you explain why the indigenous bankers are not getting adequate accommodation from the Imperial Bank? Do you not think that the Imperial Bank which

is receiving public money is for the good of the country, and therefore, it is the duty of the Imperial Bank to give sufficient accommodation to indigenous bankers?—Generally indigenous bankers are not inclined to approach the Imperial Bank. No doubt the Imperial Bank is meant for the good of the country.

6655. Do you not think that one of the reasons is that the management is in the hands of the people who do not know their constituents?—I cannot say this definitely.

6656. Do you say that the central institution affords a very liberal accommodation to foreign export houses as compared with the assistance given to *shroffs* and others?—I cannot reply to this question.

6657. You have no experience?—No.

6658. Have the various branches of the Imperial Bank done any good to the district in which they are working?—They might do, but I cannot say anything definitely.

6659. Have you no idea and no experience?—No.

6660. Do you favour the idea of a central reserve bank or a federal reserve bank or the Imperial Bank which is constituted as it is now?—The Imperial Bank should be allowed to deal with questions which are to be dealt with by the central reserve bank.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Thursday, the 21st November 1929.

Thursday, November 21st, 1929.

SURAT.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.

Professor V. G. KALE.

Mr. H. V. DESAI.

Mr. B. S. KAMAT.

Mr. R. P. MASANI (*Secretary*).

Khan Bahadur V. P. BHILADWALLA.

(*Summary of written statement in Gujarati.*)

QUESTION 1.—The rate of interest payable in Pardi *taluka* by well-to-do farmers varies between 9 to 18 per cent. The labouring agriculturists such as the *kaliparaj* get fewer facilities and have to pay 18 to 50 per cent.

The principal financiers in this *taluka* are the *sowcars*. The Imperial Bank and the joint stock banks play no part at all in rural finance. Next to the *sowcars* the co-operative societies afford financial facilities to the agriculturists.

The financial requirements for current expenses of agriculture during the year are computed at about two lakhs. This does not include old debts or special needs.

Grain and cloth merchants and grocers make advances in kind, estimated at 5 lakhs.

So long as the old debts are not redeemed and a low rate of interest on advances is fixed, say between 4 and 6 per cent., the condition of the agriculturists in the *taluka* will not be improved. I therefore strongly recommend that Government should grant facilities to co-operative societies so as to admit of loans being advanced by them to agriculturists at such low rates. In the alternative a land mortgage bank should be started.

QUESTION 2.—In this *taluka* the principal crops are grain, mangoes, *gur*, grass and babul wood. There is no co-operative society or organisation to sell such crops.

QUESTION 3.—The agriculturists have to sell the produce in December to pay the dues to Government or the *sowcars*.

The estimated value of land in the *taluka* is :—

Jirayat Rs. 50 to Rs. 100.

Bagayat Rs. 150 to Rs. 200.

Kyari Rs. 150 to Rs. 300.

During the war the values were double these amounts.

There are nearly a hundred thousand acres of land in the *taluka*, of which nearly 60,000 acres are under the control of the *sowcars* whose population including the members of their families is about 2,000 only as compared with the population of the *taluka* numbering 70,000.

QUESTION 4.—There is no legal impediment to mortgage of land ; only land with restricted rights tenure cannot be mortgaged. There is not a single bank to advance moneys against the mortgage of land.

QUESTION 5.—The estimated debt of the Pardi *taluka* is 50 lakhs. The principal reasons for indebtedness are frequent scarcity of rain and consequent failure of crops, high rate of interest, heavy assessment in respect of *kyari* land and high wages of labourers.

As a rule, the agriculturists pay off their debts by surrendering or selling their land. An agriculturist who redeems his debt by his own exertions and earning is an exception.

QUESTION 6.—Subsidiary industries do not exist. There are about five rice mills.

In this *taluka kalmi* mangoes are grown in large numbers. There is a factory in Karwar for preserving the mango pulp. Such an institution in a central position would be very useful.

QUESTION 7.—The maximum duration of loans given by co-operative societies is ten years. This period should be extended as much as possible. For properly developing the Co-operative Movement in the *taluka* nearly Rs. 10 lakhs will be required.

The agriculturists seldom avail themselves of the postal cash certificates.

The major portion of the agriculturist's income goes towards the repayment of his debts.

Oral Evidence.

6661. *The Chairman* : Mr. Bhiladwalla, what are you by profession ?—I am a hay contractor to Government.

6662. Have you any lands ?—I have seven hundred acres of lands in Thana district and in Pardi *taluka*. I have a big nursery of about 25 acres in Pardi, and my father's main business is selling plants.

6663. Do you cultivate any lands yourself besides looking after your nursery ?—Not more than 15 or 20 acres.

6664. Do you lease out the rest of the land ?—The rest of my lands, about 50 acres, is for grazing our cattle.

6665. Have you no tenants ?—No.

6666. Do landholders in Pardi arrange for the finance of their tenants ?—Not in Pardi *taluka*.

6667. Have the tenants to go to *sowcars* ?—Yes.

6668. Is there scope for land improvement in Pardi ?—Most of the land is grass land, and the cultivators are not so rich as to cultivate the land. I have been in Pardi for the last three years, and I took up this activity. I have started the *Taluka* Development Association. I purchased one tractor, for which I took a loan of Rs. 6,000 from the co-operative bank here. In other *talukas*, they charge Rs. 20 to Rs. 22 per acre for ploughing by a tractor. I started doing it for Rs. 15 only with an idea of helping the poor cultivators, but unfortunately, the people did not take advantage of it. Only 120 acres were ploughed, and the cultivators are so poor that they could not pay even Rs. 15 per acre. The work has, therefore, been stopped, and I have been trying it at other places.

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6669. Is there scope for small irrigation works?—Yes, there is scope for irrigation

6670. Are there large plots of land so as to make irrigation from river possible?—There are some big plots near the river. One landholder has 300 acres. Government has given him permission to get free use of water for about 25 years; but there are no cultivators to take up the land and cultivate. He intended to lease out his land for *bagayat* crops, but he could not do so in absence of any tenants coming forward. Mr. D. C. Umrigar owns this land. At present he is growing grass, babul and date trees.

6671. Are most of the people in the *taluka* of the *kaliparaj* class?—Yes.

6672. Have they to pay a very high rate on the money borrowed from *sowcars*?—Yes.

6673. Even on the security of land?—They have to pay even on the security of land not less than 18 per cent.

6674. For what purpose do the people require money?—For Agricultural purpose, some social function, and at times a part of the money is wasted after drinking.

6675. You say that the Imperial Bank does not play any part in financing the trade of your *taluka*. Do you think a branch of the Imperial Bank would be useful?—I do not think it would be useful.

6676. Is there any *hundi* business done?—It is done on a very small scale, and that too, by indigenous bankers.

6677. Is a lot of grass exported from Pardi?—It used to be before and during the War, but now we send about 30 to 40 lakhs of lbs. every year to Bombay.

6678. Do they send to Bombay merchants direct?—They sell through commission agents to Bombay merchants.

6679. Do they require any finance?—Sometimes commission agents advance money, otherwise Bombay merchants send cash or *hundi* after two or three days.

6680. Is there much capital required for grass business?—I do not think so, because those who do this business are great landholders.

6681. Do they also buy grass?—No, they have their own grass.

6682. You estimate the financial requirements of agriculturists at about two lakhs; is that based on any enquiry?—Yes. Two lakhs are required for current expenditure. There are cultivators who possess 10 to 15 acres of land, and they have to go either to the society or to the *sowcar*; and it is very difficult for them to get any money, even Re. 50 from the *sowcar*, because they are already indebted, and, therefore, they manage to get money from other of their cultivator brethren.

6683. Does agriculture suffer for want of capital?—In certain cases it does.

6684. Is it in the case of people who are heavily indebted?—Yes.

6685. You estimate five lakhs of rupees for advances made in kind. Is that not for agricultural purposes?—That is for the maintenance of his agricultural establishment and his own household in the form of advances made in grain, cloth and such other necessaries.

6686. You suggest that Government should advance money to co-operative societies for granting long-term loans. If the co-operative societies are themselves able to raise money, why should Government advance them?—Co-operative banks advance long

term loans for 10 years, and short term loans for 3 years, which period does not suffice to pay off the debt.

6687. What period would you suggest for debt redemption?—I should say about 40 years.

6688. Are the debts so big?—I estimate them at about fifty lakhs.

6689. Is that figure based on any calculations?—Yes, and it is very nearly correct. I have calculated ten lakhs as lendings between *sowcars* amongst themselves for trading and lending for cultivation, because big *sowcars*, who own the land, have lost their money as they could not recover what they lent to cultivators.

6690. Do they get money from *sowcars* in the *talukas*?—They get money not only from the *taluka* but also from Bombay, Navsari and other places.

6691. What interest do they pay?—They generally pay about 5 to 8 per cent.

6692. As regards question 2, are there no sale societies in your *taluka*?—No.

6693. Are you familiar with cotton sale societies?—I have heard about them.

6694. Do you think there is room for it in your *taluka*?—There is good scope for a sale society of rice and *gur*, but the people are ignorant and illiterate, and it would be rather difficult because *sowcars* have this trade in their hands. I wanted to start one last year, but I thought it would be very difficult.

6695. Where do the agriculturists sell their produce?—Mostly in the *kasba* or in villages through *sowcars*.

6696. In reply to question 3, you say that the agriculturists have to sell their produce to pay the land revenue. Does not the land revenue fall due in January?—They have to pay in two instalments in January and March.

6697. Are not crops ready for sale by that time?—Yes; but most of the people have to pay their instalments to co-operative societies and to the *sowcars*. As soon as the crop is ready, most of it is taken up by the *sowcars*.

6698. You say in your statement that most of that land belongs to a few *sowcars*. Have these people deprived the agriculturists of their land, or have they been holding it from the beginning?—They have taken the land in return for the advance of money that were not returned.

6699. From the *kaliparaj* people?—From the *kaliparaj* people as well as from the *anavlis*.

6700. Is there no land held on the restricted tenure in your *taluka*?—No.

6701. You have been interesting yourself in the development of fruit growing. As regards mangoes, is there a great trade between your *taluka* and Bombay?—Yes.

6702. Are there sufficient facilities for that trade?—There is no facility. We send mangoes to Surat and Bombay.

6703. Do you sell mangoes in your *taluka*?—The Bombay *ghatis* come to the village and they buy the standing trees before the fruit is out. Some fruit remains unsold to *ghatis* in case when the owner sends it to Surat or Bombay for sale. Each man has his own commission agent in Bombay, and they charge commission at a rate of $6\frac{1}{2}$ per cent.

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6704. Do they sell by auction ?—They sell to customers by baskets and not by auction.

6705. Have you any voice ?—We have no voice ; we have to depend on the commission agents.

6706. Do you think that the system is satisfactory ?—As there is no other way, and as the system has been going on for the last so many years, I think, the parties concerned are accustomed to it.

6707. I ask you this, because in Ratnagiri the people are very much dissatisfied as they are at the mercy of these commission agents ?—The same is the case here also, but as we have no other agency, we have to depend upon them. If there is any other agency, it would be better.

6708. Can you suggest any other way ?—The only way, to my mind, is to sell through sale societies.

6709. Do you find from your experience that fruit growing is developing in your district ?—I think it is developing to a great extent, especially mangoes, *cheekus* and bananas.

6710. Does the cultivation of these three fruits require much capital ?—At least for the first four or five years capital is required, because the crop is ready after about five years.

6711. If more funds are available, do you think that people would take more to fruit growing ?—Yes ; if the grass land is brought under cultivation.

6712. Would it not pay if land is put under fruit than under grass ?—The thing is, in grass they have not to depend upon labour, and if there is good rain and if the market is favourable, they get more from grass.

6713. Do many people in your *taluka* take advantage of postal savings banks ?—Not many ; they deposit with indigenous bankers.

6714. Agriculturists ?—Not agriculturists, but *sowcars* and most of the widows, who have some money, deposit with money-lenders instead of investing in postal savings banks.

6715. Do they get good interest ?—They get 3 to 4 per cent.

6716. Do they ever lose money that way ?—No.

6717. You say that a major portion of the agriculturist's income is taken up in paying off his debts. Is that general with all cultivators ?—Yes, with all cultivators.

6718. *Professor Kale* : What proportion of the total land in Pardi *taluka* is under grass ?—About 45 to 60 per cent.

6719. Is it because grass pays better than ordinary crops ?—It used to be 10 or 12 years ago, when people used to get better income from grass, but since the last four or five years, the market for grass has not been favourable and, therefore, they have been cultivating land for other crops.

6720. Did the price of grass go up on account of the War ?—On account of the War, on account of famine and on account of short rains.

6721. If prices of grass remain what they are, on an average, do you think it would not pay to grow grass ?—It would not pay to grow grass.

6722. What would be, at present, the comparative value of the produce of one acre of grass and one acre of ordinary crops?—It is a difference of about Rs. 15.
6723. What is the value of grass land per acre?—From 50 to 100 rupees.
6724. And what is the crop?—The crop is chiefly paddy or rice.
6725. And what is the value of this land?—The present price is Rs. 100 to Rs. 150 per acre.
6726. What is the nature of the water supply in your *taluka*?—The only water supply is by wells at present.
6727. Can you get water at sufficient high level, or you have to dig deep?—At least 40 to 50 feet deep.
6728. Then the cost of water supply would be rather high?—Yes, and so generally in my *taluka* they use engines and pumps.
6729. Do you think there is a sufficiently large market in Bombay if more people take to fruit growing?—Yes.
6730. Would there not be an over-supply?—I do not think so.
6731. Does it not happen that when one man makes profit, others rush into that business?—In *cheeku* if Bombay market is not favourable, we send it to Karachi where we get better prices.
6732. *The Chairman* : Do you send it by train?—Yes.
6733. *Professor Kale* : Is *cheeku* less perishable than other fruits?—I think *cheeku* can last for eight to ten days.
6734. You say that grain and cloth merchants and grocers make advances in kind, estimated at 5 lakhs. Do they charge any interest, or do they charge in the price?—They charge in the price, and even the interest in case of long delayed payments.
6735. *Mr. Kamat* : You have referred in your note to the mango pulp industry. As an enterprising agriculturist, have you ascertained from the Director of Industries or from any other source whether there is any possibility of this industry being successful in the Pardi *taluka*?—I had a talk with Dr. Cheema, the Horticulturist to Government, at the time of the last Agricultural Exhibition to have an experiment in my *taluka*. Unfortunately last year the crop was only 4 to 6 annas. But this year I intend to take it up and see whether it would pay us, because when the market for mangoes is not favourable in Bombay, we get very low prices, especially for alfonzo.
6736. *The Chairman* : If such an industry is started, will you be able to raise sufficient capital in your *taluka*?—If it is paying, there are a few persons who are interested and who will invest their money.
6737. *Mr. Kamat* : Have you also enquired whether this industry can be taken up by a man of ordinary means and not only very wealthy persons, so that it can give occupation to a large number of people?—The people in my *taluka* are not so enterprising as to do this work, unless some experienced or monied men take the initiative.
6738. As you have made enquiries from Dr. Cheema, have you any objection to give us an idea of the capital required for this industry according to him?—I think, it would not be more than four to five thousand rupees to start with.

6739. Have you also enquired whether there would be any market for mango *chatnis*, which, as you probably know, have a market even in foreign countries?—I am of opinion that that will also pay, though I have not enquired from Dr. Cheema.

6740. As you are interested both in grass land as well as fruit gardening, could you give me an idea as to how much capital would be required to bring grass land into cultivation as a good garden on a small scale? That is to say, supposing a man wants to convert, say, 10 acres of grass land into a compact holding for fruit gardening, how much capital would be required for such a unit of 10 acres?—I think it would be Rs. 200 for 10 acres.

6741. Does that include digging a well?—One well costs about Rs. 1,000 for 10 acres unit.

6742. Instead of growing grass, which is becoming more and more unprofitable, would it not be better to give a loan of Rs. 1,200 or Rs. 1,500 to an agriculturist and have orchards rather than grass land?—In my opinion it would pay, because he will get money not only out of fruit trees, but for five or seven years he will utilise the land for growing vegetables and will meet half the expenditure from vegetable cultivation.

6743. As you know, from this *taluka* as well as from Palghar near Bombay, the man who produces *cheeku* can defray the expenses of labour from vegetables. Do you think it is a sound proposition to split up this big grass area and to convert it into small orchards of say 10 to 15 acres for growing fruit trees and also carry on ordinary current cultivation?—Yes.

6744. If this sort of thing were done, do you think there is room for co-operative finance to come in?—Yes, I think money can be advanced through the co-operative societies for such purposes.

6745. So your *taluka* gives possibilities of two industries, *viz.*, mango pulp and crochard making?—Yes.

6746. Have you tried hand press or steam press for pressing grass?—Only hand pressing is done here, but I am personally utilising steam press, which is more economic and more paying.

6747. But it is a bigger proposition suitable for men like you?—It is not that. Take, for instance, Palghar, which is near Bombay and is a central place for grass. One load of waggon carries about 8,000 lbs., for which we have to pay Rs. 15 per waggon to the railway company. But if we have a steam press, we can send about 12,000 lbs., and pay the same freight.

6748. On the whole, what would you advocate, steam press or ordinary hand presses?—Steam press.

6749. Do you think that would make a success financially?—Yes.

6750. Here again, if the steam press is necessary as long as you are exporting your grass, do you not think there is room for a co-operative bank coming in and helping the industry?—If the co-operative bank comes in and buys the presses, there is room.

6751. Can your *taluka* have some steam presses?—Yes.

6752. Is there room for five or ten such steam presses in your *taluka*?—I think there is room for four or five such steam presses, and it would not cost more than Rs. 3,000 a steam press.

6753. Have you enquired from co-operative banks about this?—Not yet.

6754. About the tractor, to which you referred, you say that the rent of Rs. 15 was beyond the capacity of the agriculturists to pay. What is the least which you could charge just to cover your running expenses without making any profit?—About 17 to 18 rupees per acre.

6755. That is to say, you went below the lowest limit?—Practically I made a loss of Rs. 400 to Rs. 500 by giving it at Rs. 15 per acre.

6756. *The Chairman* : What is the cost per acre of cultivation by a tractor if you have to plough about fifty acres?—It would come to about Rs. 10 per acre.

6757. *Mr. Kamat* : If you go to the lowest limit of charging for a tractor, you must have a big compact field before tractors are hopeful either by co-operative banks or by private enterprise?—Yes.

6758. In that case, what would be the compact area before one could launch into such a tractor?—I should think, it would be not less than fifty acres.

6759. Are there such areas in the villages where you can get fifty acres?—There are in my *taluka* more than fifty acres in one plot.

6760. You say the tractor must be occupied for a continued period. Will it give occupation for the tractor for, say, two or three months round before the monsoon?—Yes, about two or three months.

6761. Has this proposition been considered by the co-operative bank?—It was considered, and I had enquired from the *Taluka* Development Association. I have personally seen forty or fifty villages in my *taluka* where this can be done.

6762. Speaking about your *Taluka* Development Association, as an enterprising businessman, and knowing, as you do, a good many things from Dr. Cheema and others, that fruit growing is better than either grass or crop, do you advise the less educated cultivators about such possibilities through your Association?—Yes, we do our best, but it requires at least educating the people.

6763. What is this *Taluka* Development Association for, if you do not take up this problem?—Education is carried on by the Pardi Education Society, of which I am the President, and there are forty night schools, where about two thousand people attend.

6764. Do you also impart agricultural knowledge through these night classes?—There are three agricultural bias classes, where for one hour agricultural training is given.

6765. So you have a very good agency through these agricultural bias schools to give a good idea of agriculture, marketing, etc.?—Yes; I have mentioned that I have started an industrial school in Udwada, where boys are taught making cane furniture, bamboo furniture, tailoring and weaving. From 2 to 5 in the evening these industries are taught, and from 5 to 6 agricultural bias classes are conducted.

6766. As you have these agricultural bias schools for giving agricultural knowledge, do you not think that if such industries are taught to boys from the early childhood it would be more useful, because when an agriculturist is an adult man, it is very difficult to train him; if, however, you train these agriculturists' children for basket making, rope making, etc., they take to it much easier, and then, probably it would be a hopeful thing? Do you think that would be a good line?—Yes, I am working on that line, and we teach these industries to boys from the fourth to the seventh standard.

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6767. What are the trades you are training them in ?—We train them in cane furniture making, tailoring and weaving.

6768. You teach weaving because it is more useful in a village all the year round ?—Yes.

6769. And the boys can take to it very easily ?—Yes.

6770. Coming back one moment to the question of mango marketing, you say you are content to be at the mercy of Bombay *dalals* in the Crawford Market. Do you want to tolerate that position for ever ?—I stated that if we have sale societies, and if we have our own men in Bombay, probably we could do better than the commission agents.

6771. Is there a combination amongst the Bombay *dalals* and do they not allow others to come to Bombay ?—Yes.

6772. Is it possible for any outsider either from Ratnagiri or from Surat to take up this business ?—I do not think it is possible in Surat ; I do not know about Ratnagiri.

6773. What is your experience of these *adutyas*, who sell mangoes ? Are they honest people ?—Very few.

6774. Have they much finance with them ?—I do not think so ; they also borrow money.

6775. *Mr. Buckley* : Coming back to the question of the *dalals* in the Crawford Market, is it not one of the difficulties in doing anything connected with the fact that mangoes are apt to perish, if they are not marketed very promptly ? I mean, there is a difficulty in holding them ?—We send raw mangoes, which can last for a week or so ; so it is not necessary that they should be sold immediately.

6776. In your estimate of Rs. 15 per acre providing sufficient for the use of a tractor, have you taken into account the fact that the tractor would be out of use for about nine months in the year, and also the loss of interest and depreciation ?—I have taken these into consideration.

6777. Does your figure of Rs. 15 per acre cover them ?—Yes.

6778. Have you also taken into account the short working life of a tractor ?—Yes, it is about seven years.

6779. *Mr. Desai* : I think there are many streams of water in your district. Can they be utilised for agricultural purposes ?—There are not many streams, and where there are streams, there are not sufficient lands nearby.

6780. By your starting factories for these tractors and machinery and introducing tractors into the village life of the country, do you not think that your grass industry would suffer ?—I do not think so. After introducing the motor lorries the sale of grass has reduced to 25 per cent. and after ten or fifteen years practically we will have no grass business. Not only in my *taluka* but also in Thana district, where in the interior the distance is greater from there to Bombay, they are trying to cultivate the grass land for paddy, *ko-tra* or *nagli*.

6781. Do you think there is nothing wrong if this industry is extinct ?—No.

6782. At the same time, considering the unemployment question, do you not think it would take away the bread of many people if tractors are introduced ?—No.

6783. Is it advisable to get these tractors and machinery introduced in this country ?—Yes ; because our ordinary country ploughs are not fit in these days for our land, and for that reason the people suffer. Now in my *taluka* I have an implement depot and I get implements from the Agricultural Department, and people are taking advantage of these plants for sugar and mango cultivation,

6784. Is it a good comparison to use an English plough and a tractor?—Yes.

6785. We cannot compare an English plough with a tractor, because there would be depreciation?—For country ploughs also we will require these expenses. For better production, we must have either English ploughs or tractors.

6786. My question is regarding these tractors, because for tractors we want every day something and something to import from America, while for English ploughs we need not import anything?—There are also spare parts required for English ploughs, specially knives and bolts.

6787. *Professor Kale* : You said that the average cost of ploughing with this tractor is Rs. 15 to Rs. 17 per acre ; what is the cost of ploughing with the wooden plough per acre?—I think, it is about Rs. 12 per acre, to bring it to cultivation order, and Rs. 2 for ordinary furrowing.

6788. Is the difference of Rs. 15 compensated for by increased yield?—Certainly ; because the country plough cannot plough more than an inch whereas a tractor can plough about 10 to 12 inches deep.

6789. Have you calculated or found out from your experience whether these Rs. 17 per acre leave a larger margin to the cultivator than these Rs. 2 per acre?—I have ploughed with a wooden plough, and have also ploughed with a tractor, and have found that not only we can plough more with a tractor, but at the same time we require less manure. In the long run the tractor is more economic than a wooden plough.

(The witness withdrew.)

Mr. MOTIRAM NARSIDAS, Surat.

(Summary of the written statement in Gujarati.)

At present the *choksis* do *hundi* business, accept deposits and give advances just as the *shroffs* used to do before. There are *sowcars* who charge a higher rate of interest than that charged by *shroffs*, and there are also commission agents who deal in *hundis*. With the advent of the banks the resources of the *shroffs* were crippled and the officers of the banks, being foreigners and ignorant of the position and credit of the indigenous bankers, remit the funds to the head office (instead of advancing in the district through the *shroffs*). *Shroffs' hundis* are so popular that they can be easily discounted anywhere. Merchants coming to purchase cotton, etc., are financed in Surat against their *hundis*.

If you wish to improve the condition of the *shroffs*, they should be registered and they should be precluded from doing business as commission agents, etc. Facilities should be provided to such *shroffs* for getting their *hundis* discounted by the banks. Government should start their bank instead of keeping their funds without interest with the Imperial Bank, and *shroffs* should be appointed agents.

The co-operative banks have not proved successful as they do not lend moneys to agriculturists on their personal credit. Government should open agricultural banks.

Oral Evidence.

6790. *The Chairman* : Mr. Narsidas, you are a banker by profession?—Yes.

6791. Are you a pure banker, or do you also do commission agency business?—I am a pure banker.

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6792. Whom do you advance money to ?—To traders.
6793. Do you advance to small or big traders ?—Both.
6794. Do you also finance small industries ?—I finance iron and other merchants and not small traders as gold thread manufacturers.
6795. Do you not finance agriculturists ?—They go to gineries, and we finance gineries.
6796. Is your firm of long standing ?—My firm has been in existence for the last 85 years.
6797. Do you receive deposits ?—Yes.
6798. Do you now get the same amount of deposits as you used to get some years ago ?—We do not receive deposits to the extent we used to, because the rate of interest allowed by banks has increased.
6799. What rate of interest do you pay ?—Six annas or $4\frac{1}{2}$ per cent.
6800. Who has increased the rate of interest ?—Banks pay 5 per cent.
6801. If banks can pay 5 per cent., there would be no objection from the business point of view for you to pay 5 per cent. ; or is there any special reason why bankers like you do not increase the rate of interest ?—We cannot increase the rate, because the margin left is small.
6802. Is your lending rate fixed ?—Amongst our bankers it is six annas per cent. During season times we lend at about $5\frac{1}{2}$ per cent. amongst our bankers, to merchants at 9 per cent. and to agriculturists between 6 and 9 per cent.
6803. Do you get any money from the banks ?—We depend on our own capital and deposits which we receive.
6804. If more money is required, do you raise your rate of interest ?—We raise by about half a per cent., because the margin left is small.
6805. What business do *choksis* do ?—They deal in gold and silver.
6806. Do they advance money too ?—They do not advance money ; they generally buy *hundis*.
6807. Do *shroffs* make advances ?—Yes ; and they also do *hundi* business.
6808. You say that *shroffs'* *hundis* are so popular that they can be discounted anywhere. Has the *hundi* business remained as it was ?—To some extent it has been affected, because people deal with banks more than with *shroffs* now-a-days.
6809. Why is that so ?—Because banks get certain facilities.
6810. What facilities do banks get ?—They issue crossed cheques, and they do not receive any commission. If you send a cheque for Rs. 5,000, the bank will credit the amount at par in Bombay without charging any commission ; whereas if you come to us, we charge one anna per cent. on the *hundi*.
6811. You say that *shroffs* should be registered. Do you think that the leading *shroffs* in Surat would be agreeable to this proposal ?—There are only two *shroffs* here. One firm is the Bharatia firm, and the other is my firm.
6812. There are *choksis* and others doing the *shroff's* business. Would these people agree to registration ?—I think they will agree, because they will get certain facilities.
6813. Would they have no objection to have their accounts audited ?—No.

6814. Do you have your accounts audited by anyone?—Up till now there has been no such custom, but we issue balance sheets.

6815. Are the balance sheets ready immediately after the end of the year?—After six months' time. Our method is very easy.

6816. Are your accounts with everybody settled within six months?—Yes.

6817. Do *shroffs* lend on personal credit only?—Yes.

6818. Do they also give loans on mortgage of lands?—No. We generally give on personal credit.

6819. Do you lend on personal credit to agriculturists?—We lend to ordinary merchants who are known to us.

6820. What about the agriculturists?—To those who are known to us, we lend on personal credit.

6821. *Mr. Kamat*: Do you think that by registering *shroffs* their condition would be improved?—Yes.

6822. If Government were to proceed to register *shroffs* in a place like Surat or in any other district town, on what basis would they select such *shroffs*?—They would select *shroffs* on the basis of volume of business which the firm is doing.

6823. Do you insist that they should not be allowed to do their commission agency business?—Yes.

6824. That is to say, as soon as a man is found doing some *adat* business, he should be ruled out from registration?—He must not do any speculation.

6825. Do you say that if he has any commission agency business, he should not be eligible for registration?—Yes.

6826. That is to say, he must only do *shroffi* business?—Yes.

6827. In that case how many *shroffs* would come in in a big town like Surat or Broach?—A few will come.

6828. Only one or two or three will come and the rest of the *soucars* should be all ruled out?—Yes.

6829. And after this severe test those who remain as registered people should be appointed as the Bank's agents?—Yes.

6830. Suppose there are two or three registered *shroffs*, should all of them be appointed as agents or should one out of these three be appointed as an agent?—One out of these three should be appointed as an agent.

6831. Will not this cause any jealousy?—Of course it will cause jealousy.

6832. *Mr. Buckley*: Referring to the last question, do you think that it is feasible for these two or three selected *shroffs* to combine and work as one unit?—Yes.

6833. *The Chairman*: Would they combine?—Yes.

6834. *Mr. Desai*: Will you give your ideas why indigenous banking in Surat has been on the decay in these days?—Surat was a big port formerly and now it is not a business centre. Secondly Government have issued treasury bills and postal cash certificates and these come in the way of receiving deposits for the ordinary bankers. Thirdly the account books examined by the Income-tax officer are being actually copied down, which is most objectionable. Fourthly there is the advantage of the Insolvency

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Act for the people and fifthly the ordinary English insurance companies take away the Indian money to English bazars. These are the causes of decay.

6835. What are the present causes of decay?—The branches of the Imperial Bank in the *mofussil* towns receive deposits and carry away all the money to Bombay, and at the time when traders or depositors or merchants go for help they say that they have not received any intimation from the head office and without their interference they cannot give them money.

6836. Have these managers no powers?—They might have powers, but they do not like to take that risk. All the money have been tapped away to Bombay. We wish that this money should remain here and it should be utilised here and given to ordinary merchants.

6837. Give us your practical suggestion how to utilise these moneys?—They should be utilised through ordinary registered bankers because they know the requirements of ordinary merchants and the money should be utilised through them.

6838. As they are in intimate touch with the people and local conditions, the money should be utilised through them?—Yes.

6839. Are the managers of the branches of the Imperial Bank not in touch with the local people?—No. They are all foreigners and they receive high salaries and they take away their money to their native places.

6840. Assume for a moment that the help given to *shroffs* by the Imperial Bank is withdrawn and adequate help would be given to the registered indigenous bankers, do you think that the facilities for easy finance in the district would be increased to a great extent?—Yes.

6841. You want the *shroffs* to be appointed as agents for this purpose?—Yes.

6842. What facilities do you want?—Government should lend money to them instead of lending free of charge to the Imperial Bank.

6843. What rate of interest would you pay to Government?—2 per cent.

6844. Why is the Imperial Bank not in a position to pay some interest to Government at present? Will you give me your reasons for this?—Because it gives profits to its shareholders.

6845. They are paying only 16 per cent. interest?—They pay at the expense of the poor rate-payer.

6846. Do you think that your management would be economical in comparison with the English management?—Yes.

6847. What is the expenditure of the branch of the Imperial Bank here?—I can give you the figure approximately. The expenses amount to Rs. 2,500 per month approximately and compared with this expenditure our expenses per month would be scanty.

6848. If the same business is handed over to you and same facilities are given to you, what would be your expenses?—It would be economical.

6849. Would you be able to satisfy all the persons and constituents of the branch of the Imperial Bank including the Government?—Yes. Formerly when there were no treasuries or the Imperial Bank, we were generally helped by Government. The commission for writing *hundis* was annas 4, and Government took one anna and we received 3 annas margin.

6850. Formerly you were getting some patronage from Government and now you are not getting this patronage from Government?—No.

6851. And for some patronage you are ready to be registered?—Yes.

6852. Will you give me an approximate idea of how much sum the branch of the Imperial Bank in Surat receives as deposits?—I think it is about a crore of rupees.

6853. How much do they utilise in Surat?—Practically they have not utilised anything and they are sending away the whole amount to Bombay and if at all they give anything, they do so only on two gentlemen's surety. They do not lend on personal security just as our *deshi shroffs* do.

6854. Suppose this branch has been handed over to you, are you in a position to lend money on personal security?—If the parties are known to us, we will lend on personal security.

6855. *Professor Kale*: Do you want that Government should start its own bank? Why do you want that? The Imperial Bank is a semi-Government bank?—I want a federal bank.

6856. But do you think that the cost of this bank would be smaller than the cost of the present bank?—It would not be smaller but the facilities would be rather more and expanded.

6857. You are concerned with more facilities and not with the question whether it is a Government bank or the Imperial Bank?—We will be profited by Government bank.

6858. But what does it matter to you whether it is a Government bank or the Imperial Bank?—This bank will receive *hundis* from *deshi shroffs*.

6859. Suppose provision is made that the bank should receive *hundis* for a long period, then it does not matter to you whether it is a Government bank or some other bank so long as you get what you want?—Government will be saved from all the rates of interest.

6860. But they will have to spend at the same time and they cannot carry on banking without expenditure?—The expenditure will not be more than the interest.

6861. We are told that Government banks are more costly than private institutions. It may be that the cost may be greater and the facilities to the *shroffs* will not be what you expect them to be?—In our opinion we think that we will receive more help from the Government bank rather than from this Imperial Bank.

6862. But you are aware that the Government grants a charter to the Imperial Bank and Government can lay down on it a condition that certain facilities should be given. So whichever the bank is, if the Government wants to give certain facilities, they can do so?—I think the charter is temporary.

6863. Whatever may be its constitution now, you want that it should be reconstituted?—Yes.

6864. Are you concerned more with facilities than with the constitution of the bank, or do you think that private shareholders should be replaced by a Government bank?—I am of this opinion that there should be a Government bank.

6865. But if you require a number of banks throughout the whole country, it may not be possible for them to have so many banks?—In the Presidency towns they can have banks.

Mr. Motiram Narsidas.

6866. You refer to a number of causes for the decay of the old banking system, but are you aware that many other old institutions are decaying and passing away and they have to adjust themselves to the changing conditions? For instance, there are co-operative banks and naturally you cannot expect that the whole *sowcari* system should be maintained as it was. On the contrary do you not think that *sowcars* should adjust themselves to the changing conditions? We are told that they are not able to attract deposits. Is it on account of competition of other banks?—No.

6867. We are told that Government offers a higher rate of interest on postal cash certificates?—Yes.

6868. So it is the competition of other banking institutions which offer better facilities to the public?—Yes, and not only that, but also the public have greater confidence in Government rather than in ordinary bankers.

6869. So the old system of banking is now experiencing the competition of other institutions?—Yes.

6870. And if the old system of *shroffs* is to be maintained it will have to be changed and adjusted in order to take advantage of the new changing conditions?—I have already suggested that they should be registered and accounts audited.

6871. With regard to the two signatures that are required by the Imperial Bank, do you not think that it is a necessary protection from the view-point of the bank?—If that be the case, nobody will be helped.

6872. But everywhere in the world these two sureties are required. Why should not the old bankers consider this question from this point of view? It is not only the old bankers that are required to do this. This is the general practice everywhere? If they understand it in this sense perhaps there will be no hesitation on the part of bankers to do so?—We do not require any sureties.

6873. *The Chairman*: Do you ever lose money on this account as you do not take any sureties?—Yes, we have to lose money sometimes.

6874. *Professor Kale*: Therefore you admit that there is the danger which one cannot afford to risk?—Therefore we become a prey to the Insolvency Act.

6875. *Mr. Desai*: Does not the Imperial Bank lose money even with the sureties?—Yes.

6876. *The Chairman*: You say your firm is of 85 years standing. Have you seen your old accounts?—Yes.

6877. Has there been any change in the method of your working during the last 85 years?—No.

6878. Is there any change in the rate of interest?—No. 85 years before it was 6 to 9 per cent. and now also it is the same.

(The witness withdrew.)

Mr. ISHVERLAL NATHABHAI KINKHABVALA, Bania Street, Surat.

(Summary of the Replies to the Questionnaire in Gujarati.)

QUESTION 1.—The rate of interest on loans varies from 9 to 12 per cent. In Bardoli taluka it is 9 per cent., elsewhere it is 12 per cent.

The agriculturist is indebted to several parties. The extent of his borrowings cannot, therefore, be ascertained. His debt increases as well as his expenses.

QUESTION 2.—There must be as many sale societies as possible.

QUESTION 6.—There should be extension of electric installations wherever they are, so that villagers getting electricity may be able to work their ginning factories or looms with electricity and to bore wells.

QUESTION 7.—There is competition between the joint stock bank and co-operative banks for exchange business. Current account holders with the Imperial Bank and the Baroda Bank are given facilities to have their cheques cashed at par at the different branches of these banks, but the Surat Co-operative Bank can give no such facilities as it has not opened branches at different places. If a union is formed of all banks run on co-operative principles to do such exchange business, it would help their customers in respect of exchange operations of sale societies, etc.

There is no compulsion on borrowers to repay loans in goods.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am an agent and a merchant. We used to do banking business, but I have stopped it now. I export sapphires to England and France and rubies to Switzerland. I import wire-drawing plates from Switzerland. I am an insurance agent of Messrs. Volkart Brothers. We trade on our own capital, and we do not borrow from outside. We get money by drafts for goods sent to Switzerland, and we cash these drafts at exchange banks. Sometimes we receive money by telegraphic transfers.

There are many money-lenders in Bardoli, and as there is competition, the rate is only nine per cent.

I should suggest that agriculturists should have Gins in their own houses run by electricity.

There are many merchants doing jewellery business, but most of them are in Bombay. The business of jewellery requires large amounts of capital.

The jewellery business has been decreasing for the last five or ten years. Formerly the Arab merchants used to sell the diamonds to us, but now they go to Paris themselves and sell diamonds there. There are many Indian jewellery firms in Paris. I used to do the gold thread business. I used to import gold thread from Europe. After the war the business of manufacturing gold thread has been developing here. At present the import duty on gold thread is thirty per cent., and it should be increased to encourage local manufactures. There should be a purchase and sale society for the gold thread industry. The labour charges have been increased, and the people dealing in this industry have to spend a lot. Government should help the gold thread industry.

(The witness withdrew.)

**Rao Saheb D. A. PATEL, B.A., Personal Assistant to the
Collector of Surat.**

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—(a) They borrow money at heavy rates of interest from *sowcars* or their landlords if they cultivate others' lands. In both cases, seed is generally advanced in kind. In the more backward parts and communities, e.g., *Bhils, Dublas, Dhodias, Vorlis, Gamtas, Thakurs*, etc., the seed is to be repaid in kind two-fold at the following harvest.

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(b) They rarely do this. When they want to dig a well or install a pump, they generally take a loan from Government as *taccavi*.

(c) For repayment of land revenue, they generally borrow from their middleman or *sowcar* who usually arranges for the marketing of their produce. During failure of monsoon, they have entirely to rely on Government *taccavi*, as *sowcars* hesitate to advance when there are no standing crops.

The prevailing rates of interest, so far as I know, are 6 to 25 per cent. according to the credit of the man.

There are no fixed periods during which the loans borrowed from the village *sowcar* are to be repaid. It all depends on the state of the borrower's crops for the season. All the produce either goes to the *sowcar* or is marketed through him. No security is usually taken except that in case of big loans required for (a) marriages, (b) funerals and such other special occasions, landed or house property is taken in security. It is not usual to take standing crops in security.

The Imperial Bank of India and also joint stock banks have as yet played no part in agricultural finance of the country. Government, however, have done much. Early in 1883 and 1884, they undertook to supply all the money required both for current agricultural expenses as well as for costly improvements, *e.g.*, land embankments, construction of wells, etc. (*vide* the Land Improvements Loans and the Agriculturists' Loans Acts, Acts XIX of 1883 and XII of 1884 respectively). These, however, did not provide for financing the agriculturists for social and domestic items of expenditure which, though unproductive, are all the same necessary. This drawback was supplied by the Co-operative Societies Act of 1904. Though during the last 25 years of its coming into existence, the Co-operative Movement has made much progress, much remains yet to be done.

The chief defect of the present system, in my opinion, is the lack of sufficient co-ordination between the village *sowcar* and the co-operative society. In a village in which there is a credit society, there should, I think, be no other financing agency. There is no royal road to this, but I think this ideal can be reached gradually only by constant efforts to improve the management of rural societies so that the *sowcars* may be induced to invest their surplus money in those societies. There is sufficient co-ordination between Government and the co-operative societies.

QUESTION 2.—Principal crops are (a) cotton, (b) grains and (c) vegetables.

As regards (a) the merchants from towns usually visit the villages during the season and purchase the stuff. These merchants serve as middlemen between the producer and the gin-owner or other big merchant who gets it ginned and then exports the ginned cotton in bales to Bombay or other centre. There is no direct correspondence between the producer and the consumer. Sometimes when the producer is in urgent need of money for some social purpose before the town merchant can come and pay him, he has to sell his goods to the local *bania* or *marwari* thus adding another middleman. Thus it will be seen that the producers lose heavily in the commission of these unnecessary middlemen.

(b) Most of the grain is sold through the local village merchant. Now-a-days there is not much surplus grain to sell except in non-cotton tracts.

(c) The vegetables have to be conveyed by the producer to the nearest town where there are certain commission agents who fix the rates at which the local retailers should

purchase the various articles from the villagers and charge a high rate of commission. The combination of these agents with the local retailers is so powerful that the producers dare not approach the retailers direct. Similarly for exporting the surplus vegetables to other stations, the producers have not the insight or convenience to deal directly with the merchants in those stations and so are obliged to utilize the services of the middlemen and pay a heavy price for it.

As regards cotton, cotton ginning societies are being formed. This is in my opinion a step in the right direction. For grains it is necessary to have consumers' societies, so that the producers can sell direct to them. The question of vegetables is very difficult as they cannot be preserved for a long time. I think the only way for the vegetable growers is to combine and open shops at suitable places in the adjoining towns and also to open such shops in outside stations where the demand for the articles in question is such as to justify the expenditure of running a shop and also ensuring of reasonable profit.

Credit facilities at reasonable rates are required after the produce is ready, but before it is marketed, to enable the producer to meet some urgent call. There are no such facilities at present except that the producer is at the mercy of the greedy local money-lender who never fails to squeeze him to the utmost.

Agriculturists here are too backward yet to carry on any foreign trade or to use the banks for internal remittance. As a rule they have not much to remit. Their transactions are confined to a small area and their business is transacted in person. Till some time back, they were suspicious of currency notes and would hesitate to accept them. No other negotiable instruments are yet known to them.

I think there is much need for Government assistance in protecting the producers from the vested interests of the middlemen and commission agents, at least till the former are able to hold their own, by making some special provision in the Co-operative Societies Act, if necessary.

QUESTION 3.—The values of agricultural occupied lands vary in different localities according to—

- (i) the fertility of the soil and its capacity to bear *bagayat* crops,
- (ii) castes of the cultivators inhabiting the locality. The value will be greater in villages inhabited by *Patidars*, *Kunbis* and *Anavlis* than that of the same kind of land in villages inhabited only by *Kolis*, *Dublas* or other *Kalipara* people,
- (iii) facilities for irrigation by well or tank water,
- (iv) distance from the village site and market,
- (v) facilities of communications,
- (vi) climatic conditions of the tract, and last,
- (vii) the principle of demand and supply.

(a) Lands sold for arrears of Government land revenue often do not realize their full market value owing to combination of the villagers out of sympathy for or fear of the defaulter.

(b) In case of sales in execution of civil court decrees it is found often that there are no bidders even at 80 per cent. of the *panchkyas* owing to the influence or fear of the judgment-debtor or the impoverished condition of the tract and in several cases, the
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Collector has to give permission to the decrec-holder to bid at the auction. This difficulty is also being experienced in the execution of the arbitrators' awards of co-operative societies, *e.g.*, in Pardi *taluka*. The same thing happened in the Daskoshi tract of the Matar *taluka* in Kaira District.

(c) Sales by private negotiations also do not necessarily represent the real market value of the land, *e.g.*—

- (i) when the transaction is between a *sowcar* and his debtor, or between relations,
- (ii) when the vendor is in urgent need of money and has no time to advertise.

QUESTION 4.—Yes, lands held on what is popularly known as the new or restricted tenure cannot be sold or mortgaged without the Collector's previous permission. Such lands are usually held by backward classes. So far there are no land mortgage banks in this district for the provision of long-term credit.

(a) So far as I know there have been no complaints about the present system of maintaining the Record of Rights and title of ownership regarding agricultural lands, and no change is asked for or necessary.

(b) There is no mortgage bank at present.

(c) The cost of reference to or of taking copies from the Record of Rights is by no means heavy and no reduction seems called for.

QUESTION 5.—It is very difficult, if not impossible, to obtain a reliable estimate of the indebtedness of agricultural classes in any *taluka* or even village, chiefly because this being a delicate matter of one's prestige and credit, people are very reluctant to give out the true state of things. In several communities, people have to maintain an outward appearance even beyond their means as the prospects of their sons getting brides depend on this.

The only way to get some reliable information about indebtedness would be to obtain it through the co-operative societies before whom the borrowers have to disclose their real position sooner or later. But this will be only for those who are members of co-operative societies. For the rest, there is no suitable method which can be adopted.

It is my experience that for some reason or other several people do not like to take to agriculture as a profession. Even the sons of genuine agriculturists prefer a clerkship of Rs. 40 per month either in Government, railway or private service or emigration to Africa, to taking to agriculture. This is partly because the present system of education is not suitable for those who want to follow the profession of agriculture, but mainly because agriculture, as it is carried on at present, is not found a paying business. The yield of land has practically remained the same while the cost of production, *e.g.*, wages of labourers, price of manures and seeds and cost of living have increased tremendously. Moreover, as remarked quite significantly by one of our Finance Members in his speech on the Budget in the Indian Legislative Assembly, the framing of a budget for a country like India is a gamble in rains, and as 90 per cent. of the country's population lives on agriculture, the budget of each individual agriculturist is affected by the caprices of the rainfall and whims of the season. The best efforts of the cultivators are, often, as we know too well from personal experience, frustrated in a day by natural calamities like (a) frost, (b) flood, (c) locusts, etc. Several of the farmers' sons from the Kaira and Surat districts are therefore emigrating to East and South Africa and lands are left to be managed by the inefficient and resourceless *Kolis* and *Dublas*.

QUESTION 6.—There are, so far as I know, no subsidiary industries worth the name, allied or supplemental to agriculture existing in Gujarat at present. There are rice mills, dairy farms and cotton gins in some places, but they are all independent concerns owned mostly by non-agriculturists.

If it is intended to give the producer a better return for his produce, the proper course in my opinion is to start co-operative societies to enable the agriculturists to put their produce in a marketable form and to dispose of it at the most favourable rates.

It must be admitted that our farmers are not fully employed for about six months in a year, and they require some suitable employment to keep them engaged during this period and supplement their income in other ways. The spinning wheel is being strongly advocated for this purpose by Mr. M. K. Gandhi and his followers, for the last eight years, but the response seems to be very feeble, chiefly because people find it uneconomic in competition with modern machinery. If India were alone and had no connection with the outside world, it could have perhaps lived by such antiquated methods. But facts are to be faced as they are. It is impossible now to cut off the connection with the outside world, and if India wants to survive in this age of industrialism, it is necessary that she must adopt the most up-to-date methods of production, both for agriculture as well as for cloth. In my humble opinion, the proper way to keep the agriculturists profitably engaged throughout the year would be to develop agriculture in all its multifarious forms, to extend and improve agriculture by suitable manures and to start industries for all agricultural products in India. At present raw products are being exported and then the same articles are being reimported here for consumption after some chemical or mechanical work is done on them. India abounds in forests. These can provide employment for many more persons than they do now if proper training in forestry is given and the forest resources are fully investigated and developed.

QUESTION 6A.—There are small industries in this district, *viz.*, weaving, gold and silver thread business, embroidery works, etc., but they are mostly in the hands of non-agriculturists. They require to be developed on up-to-date methods and by means of labour saving machinery.

QUESTION 7.—The Co-operative Movement has by now succeeded to an appreciable extent in meeting the financial needs of the agriculturists in villages where there are well managed societies, and the money-lenders are gradually winding up their business. The small trader and the industrialists are not taking advantage of the Movement except in Surat city and Bulsar where there are urban co-operative banks.

QUESTION 8.—Personally I think the working of the Dekkhan Agriculturists' Relief Act has gone a great way in hampering the credit facilities of the agriculturists and also in demoralizing them to a certain extent. The act was no doubt enacted with the best of motives, but it has not served its purpose. *Sowcars* are too shrewd to come within the clutches of this Act and insist on all sorts of conditions favourable to them before the loans are actually advanced, and the agriculturists who are in need of money have no choice in accepting them. In old days, the agriculturists were generally very honest and would try their utmost to repay the amounts borrowed from their *sowcars* to the last farthing. Nay, it was considered a sin to refuse to repay a debt even though it may be time-barred. This being so, the money-lenders were quite confident of getting back their money and they were not required to have recourse to civil courts. They were,

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therefore, satisfied with a lower rate of interest. In my opinion, the Dekkhan Agriculturists' Relief Act does not serve the object with which it was enacted and it requires to be expunged from the Statute Book or to be considerably amended.

SECTION II.

QUESTION 6.—INDIGENOUS BANKING.—In the more backward tracts inhabited by *bhils*, *e.g.*, the Jhalod Mahal and Dohad *taluka* of the Panch Mahals district and in case of the *kaliparaj* people of the Surat district, grain or other raw produce is generally used as the medium of exchange. The banker usually converts the grain or other produce at such rates as may be most suitable to him, as the ordinary cultivator has very little knowledge as to the market rates of his produce prevailing from time to time.

My experience of the result of the spread of the Co-operative Movement amongst the agriculturists, during the past twenty-five years or so, leads me to believe that provision of cheap money for the agriculturists is not the sure way of improving his financial condition. It is true that by getting money at a lower rate of interest and with accurate accounts, he saves something, but this saving is not laid aside by him for the rainy day, but is spent away by him in other ways and his financial position is not a whit better for that saving. In my humble opinion, if the Indian farmer is to survive the struggle for life in the keen competition of the present age, it is necessary for him first to learn the simple lessons of (a) self-help, (b) foresight, (c) domestic economy and (d) reduction of unproductive expenditure, *e.g.*, on death and marriage dinners.

QUESTION 8.—The indigenous bankers can be made more serviceable to the community by inducing them to invest their spare capital in co-operative societies at reasonable rates of interest. If punctual repayment of the principal and payment of interest from year to year is ensured to them, they would probably be satisfied with the prevailing market rate of interest, which is lower than the rate they now charge to the agriculturist.

At present, the accounts of the indigenous bankers are in several cases suspected to be inaccurate and owing to the illiteracy of the borrowers, no inspection or verification thereof is generally claimed or allowed.

The indigenous bankers would not in the beginning like any outside interference with their business or any new measures controlling it, but they would in my opinion gradually come to like it, as their investments would be safer than before.

QUESTION 10.—In my opinion, the indigenous bankers in rural areas should be induced or required by law, *e.g.*, by enacting that all financing in villages with co-operative societies should be done by or through them, to join the village co-operative societies and those in urban area, the urban co-operative bank. With proper safeguards to see that these bankers do not do any banking business outside the society or bank of which they are members, the bankers will find it to their own advantage to use their local knowledge and experience in the management and development of that society or bank.

QUESTION 11.—I think there is a fairly large amount of surplus money, if not in villages, in *taluka* and district towns. This money is generally invested in Government loan, post office savings bank and postal cash certificates. In my opinion, steps should be taken to see that all these people are induced to invest this money in the rural or urban co-operative banks. If this is done, I think the societies and banks will not require much assistance, so far as finance is concerned, from Government.

SECTION III.

QUESTION 1.—The existing banking resources are :—

- (a) funds invested by individuals as deposits,
- (b) loans borrowed from indigenous bankers or banks, and
- (c) capital raised by shares.

The only means or institutions in existence for encouraging savings and investment habit for the small people are the post office savings banks. But this is not suitable at all for the illiterate people in villages. The co-operative societies have introduced the system of taking compulsory deposits at the time the loans are advanced. But so far as I know this does not produce the desired result. In the first place, it creates an erroneous impression in the borrowers that the society also takes a certain percentage as commission on each loan like the *marwari sowcar*. Secondly it is not a real saving. The proper course would be to induce the borrowing members to spare something out of the proceeds at the time of the harvest considering that the outturn had been less to that extent and to invest it as a fixed deposit in the society. The plausible objection which, I know, would be raised to this is that the agriculturists get hardly enough to meet their current expenses and so they cannot spare a pie. I do not think this is quite correct. In good seasons, they can, I think, spare decent sums for investment if they simply care to think of the future. This may, of course, require them to curtail their expenditure on some social functions or to be rather stingy in some respect, but this cannot be helped, as after all one has to cut his coat according to the cloth available.

If the rural co-operative societies are soundly managed and if there is a co-operative society for every village, or a group of small villages, I think they would be quite suitable for the small men for the investment of their savings. Being very near them; the borrowers would have full confidence in them and they will not find any difficulty in dealing with them.

Those who are not willing to earn interest on deposits can render the best service towards the economic development of their country by lending their surplus money to co-operative societies or banks free of interest. This would enable the societies or banks concerned to reduce their lending rate of interest and the borrowers would be greatly benefited without any loss to the investor.

There was a time when Indian capital was regarded as very shy and it was so really. But it is now coming out. Every one who has some surplus capital now desires to earn some interest on it. The practice of investing in gold and silver is not now so noticeable as before. The variety of ornaments is of course changing and even the residents of rural areas are trying to imitate their brethren in city areas in this respect and consequently the cost of ornaments has risen. But they are now restricted to the bare necessities according to one's position in society and the rest of the surplus capital is required to earn interest. Investments in land is found only in places where the rents are high owing to competition of tenants or some other reason.

QUESTION 2.—Postal cash certificates are popular. But they are not in my opinion suitable for the ordinary investor in the rural areas. The post office savings bank also is not suitable in his case.

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These are generally availed of—

- (a) by Government servants and officers,
- (b) by widows,
- (c) by minors,
- (d) for trust funds.

QUESTION 3.—In my opinion, it would be very long before the small agriculturists in rural areas would be prepared to buy Government loan. In the first place, the transaction regarding the loans being in a foreign language, they cannot follow them. Further, they will have to attend the *taluka* town for receipt of interest or for sale of the loan in case of need. Also several of them are still suspicious of this paper money. In my opinion, the only and best institution for investment of the savings of such men should be the co-operative society serving the tract in which they are living.

The habits of the agriculturists are such that whenever they get any surplus money, they spend it—

- (a) in building houses,
- (b) in buying more land,
- (c) in having gold and silver ornaments for their wives and children,
- (d) on the marriage of their sons and daughters, etc.,
- (e) in rare cases, in advancing to others on interest.

FARMERS ALSO DO MONEY-LENDING BUSINESS.—Usually they advance small sums of money to labouring classes, *e.g.*, *Dheds, Kolis, Rabaris, etc.* The rates of interest in case of these people are of course very high as they have no tangible security. In some cases premium is taken, *i.e.*, for a loan of Rs. 50 a promissory note for Rs. 55 or so is taken and the amount is required to be repaid in monthly instalments. This sort of business is very common amongst mill-hands in Ahmedabad, and Railway porters, etc., at important stations like Anand.

QUESTION 4.—So far as I know, the cheque habit has not yet grown to the desired extent even in urban areas. It is of course almost unknown in rural areas.

Payment of Government or bank employees by cheques will, of course, make the system more familiar, and so it may be given a trial.

If the cheque system is intended to be made popular in villages, the use of the vernacular script is essential.

QUESTION 5.—The growth of banking and investment habit in India is, of course, slow at present. But that is in my opinion due mainly to illiteracy and ignorance. The remedy to advance the growth is therefore to remove these causes by propaganda work both by Government and by banks as well as co-operative societies. All this propaganda work should be carried on in the vernacular of the tract.

As far as I know, the opening of new branches by the Imperial Bank of India in recent years has helped to some extent in educating the public in banking habits and in financing the non-agriculturist businessmen in the tracts served by the branches concerned.

Oral Evidence.

6879. *The Chairman* : Rao Saheb Patel, you are the Personal Assistant to the Collector of Surat?—Yes.

6880. You have served in many districts in Gujarat in the Revenue Department?—Yes.

6881. You are yourself an agriculturist?—I hold some land in the Ahmedabad district.
6882. You have also served in the Co-operative Department?—Yes, I have served for three years.
6883. Have you been in touch with the Movement after you left the Department?—Not much.
6884. You say “The prevailing rates of interest as far as I know are 6 to 25 per cent. according to the credit of the man?”—Yes.
6885. So far as the more backward classes are concerned, *viz.*, *Bhils, Dublas, Dhodias* and others, what is the usual rate of interest that they have to pay?—It is more than 12 per cent. and less than 25 per cent.
6886. Can people with very good credit get at 6 per cent?—Yes.
6887. Leaving aside the more backward classes and the people with very good credit, what is the rate of interest charged to ordinary cultivators?—At Kaira they are charged 6 per cent. In Panch Mahals the rate of interest is 8 to 9 per cent.
6888. You suggest that there should be only one financing agency in a village?—Yes.
6889. How would you bring this about? Would you prohibit by law other agencies working?—Yes.
6890. Will the one agency be able to meet all the needs of agriculturists?—Yes, if it is properly managed.
6891. You say that *sowcars* may be induced to deposit their money in co-operative societies?—Yes.
6892. As regards marketing, you say that a producer has to borrow before his produce is actually sold?—Yes.
6893. Are there no facilities for taking an advance on the security of the produce before it is sold?—He has only to go to a *sowcar*.
6894. Are not co-operative societies able to advance to them at that time?—If they are members of societies, they will advance to them.
6895. Does an agriculturist here require money before the produce is ready?—It depends upon his circumstances.
6896. What is the principal crop in the Surat district?—Cotton in the northern part and rice and grass in the southern part of the district.
6897. We were told that usually cotton is sold in the village itself?—Yes. This is my information. I have no personal knowledge about it.
6898. Is an agriculturist compelled to sell his cotton as soon as it is ready because he has no finance or has he the ability to hold it up until he can realise a better price?—It depends upon his own means. Some of them may be holding up their produce and wait for better prices.
6899. Do you think that it would be desirable to provide facilities which would enable the cultivator to hold his produce by starting warehouses or godowns where he can keep his crop so that he can wait to sell until better prices prevail?—Yes.

6900. Do you not think that agriculture as at present carried on is paying?—My impression is that agriculture as at present carried on is not a paying business.

6901. Do people with their small holdings themselves work or do they employ hired labour?—They do the work themselves generally.

6902. What do they exactly mean when they say that agriculture is not paying?—It leaves them no margin.

6903. It gives them no return on the capital?—No.

6904. You say that money-lenders are gradually winding up their business?—Yes. They are winding up their business in these villages where there are well-managed societies; their business has gone down.

6905. But is this not also due partly to the fact that the Dekkhan Agriculturists' Relief Act has made recoveries in their case rather difficult?—Yes.

6906. It has been suggested to us that if village money-lenders were registered and their accounts audited, they might be able to render a greater service to agriculturists than they are doing at present?—I agree. The other day I read in a paper that in the Baria State in the Rewa Kantha Agency a law has been passed to the effect that every *sowcar* should have a license.

6907. Do you think that some such enactment here will be useful?—It will, I think, be useful at least for some time, *i.e.*, until people can stand on their own legs.

6908. If there is a good season an agriculturist saves something. Where does he usually deposit this amount? Is it the practice here to bury money in the ground?—Formerly it was so, but now it is not so.

6909. Do they invest in ornaments?—Very few of them might be doing so, but we should take into consideration their social customs also.

6910. There are certain agriculturists who are careful, are there not?—Yes.

6911. Do they take advantage of postal savings banks?—No, because the postal savings banks are far away from their villages. There are no postal savings banks in villages, but they are generally only in *taluka* towns.

6912. But in villages where there are postal savings banks, do they take advantage of them?—No; I think they are not very popular.

6913. Why are they not popular? Is the procedure faulty?—If there are more banks, they can be useful.

6914. But as at present constituted why are they not popular?—Because the procedure is rather cumbrous for illiterate persons and agriculturists do not understand yet the value of thrift and saving.

6915. The question is whether more postal savings banks would lead to larger deposits by agriculturists?—I would rather desire them to deposit in co-operative societies, which would look to their convenience more and the management of which would be more or less in their hands.

6916. But the present deposit system in co-operative society is compulsory, which is not really thrift?—Yes. By more propaganda, I think, at the time of harvest, they can be induced to deposit more.

6917. Do you think that farmers can be more easily induced to deposit in co-operative societies than in postal savings banks ?—I think so.

6918. *Mr. Kamat* : Do you think in villages where co-operative societies have been started *sowcars* are winding up their business ?—Yes, they are gradually winding up their business.

6919. How many villages are there in this district ?—About 800.

6920. Out of these villages, where there are co-operative societies, are about 150 ?—I do not know exactly the number. It may be about one-fifth.

6921. Even supposing there is a co-operative society in a village, you know there are lots of people in that village who are so hopelessly indebted that the society cannot help them and they do go to money-lenders ?—Some of the better class people are not in their fold now.

6922. I am just asking you whether the money-lender is being displaced as soon as a society is established there ?—No, not at once. Gradually they are winding up their business. I have seen some *sowcars* who have come to towns from villages.

6923. If this, as you say, is happening, there is a good deal of hope, but if this is not happening, it changes the very phase of the problem ?—*Sowcars* are now moving from villages to towns because there are difficulties for them now. One is the society which is coming in their way, and the other is the Dekkhan Agriculturists' Relief Act.

6924. Is there any method by which the Revenue Department is in touch with economic factors dealing with the welfare of villagers ? Do the Collector and the Registrar of Co-operative Societies come together ?—Yes. Whenever the Registrar is touring he has a general discussion with the Collector.

6925. Has your Department any time to find out whether the indebtedness is increasing ?—They generally make an enquiry about this at the time of revision settlement.

6926. Has your Department at any time found out whether the methods of Pathans are extortionate ?—Not so far as I know.

6927. Has your Department to find out statistics whether people doing agriculture in villages leave their occupation and migrate to bigger towns and take to other occupations ?—No.

6928. Are not such statistics calculated by your Department ?—No.

6929. Which Department finds out these economic factors ?—I think a special enquiry has to be made.

6930. If the total indebtedness is to be found out by a special committee, would you suggest any lines on which such a committee should proceed ?—I have stated in my written statement that if at all there is any hope of getting any reliable information on this delicate point, it must be through the medium of co-operative societies ; otherwise, it is very difficult to get accurate information. To expose one's indebtedness is a very delicate matter and no one would like it to be exposed in an open enquiry.

6931. *Mr. Buckley* : In the course of your tours round the districts, have you come across any evidence of money being actually hoarded and coming out in a famine year ?—I have not noted this. Money is not being hoarded now.

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6932. *Mr. Desai*: You ask *sowcars* to deposit their money with co-operative societies?—Yes.

6933. What rate of interest would you like to give them?—It depends upon the tract.

6934. I want to make a mathematical calculation?—I cannot work it out.

6935. You should give me some idea of approximate return to *sowcars*. Would you give them five per cent. on their deposits?—They may deposit their money at six per cent.

6936. At what rate do these societies lend to members?—I think the present rate is $9\frac{3}{4}$ per cent., but it can be reduced to $7\frac{1}{2}$ per cent. if they get their capital at 6 per cent.

6937. In that case if they get money at 6 per cent. they can advance at $7\frac{1}{2}$ per cent.?—Yes.

6938. Would it meet all their expenses?—There will be a margin of $1\frac{1}{2}$ per cent.

6939. I want to know from you what is the percentage of borrowing at $7\frac{1}{2}$ per cent. from *sowcars*?—I am sorry I cannot say that.

6940. Here is the Cotton Committee's Report which says that in Middle Gujarat 65 per cent. borrow at rates below $9\frac{3}{4}$ per cent. and 29 per cent. borrow from $9\frac{3}{4}$ per cent. to 12 per cent. Nearly 94 per cent. borrow at rates below 12 per cent. Therefore I think the rate the *sowcars* are receiving in middle Gujarat is nearly 10 per cent.?—I am not sure, but presumably the above percentages apply to merchants and big landlords. The percentage of smaller farmers and labourers borrowing at about 12 per cent. must, in my opinion, be much greater than 6 per cent.

6941. 94 per cent. of the farmers are receiving money at rates not above 12 per cent. and the average rate of interest, I think, from these calculations would be 9 to 10 per cent.?—Provided these percentages are quite accurate, about which I am much doubtful.

6942. What is your idea if the figures are not accurate? What is the rate of interest charged to the major portion of cultivators compared with the security offered to the co-operative society and to the *sowcar*?—I think the major portion of the smaller people borrow at 12 per cent. and above. The security is practically the same.

6943. The security is practically the same except that in a society there is an unlimited liability behind it, and further, facilities are given by Government to co-operative societies to recover their moneys, whereas no facilities are offered to *sowcars*?—Yes.

6944. And is not the *sowcar* undermined under the Dekkhan Agriculturists' Relief Act?—Yes.

6945. Suppose if some facilities are offered to *sowcars*, do you not think that their rate would come down?—Yes, that is what I say and that is what I have suggested. I think the *sowcar* should be induced to join the society and put his surplus there, i.e., he should be satisfied with less interest if he wants to avoid bad debts and recourse to law courts.

6946. My point is that farmers would not be benefited because here you want to pay him 6 per cent. What is the net return to the *sowcar*? I want to have from you this information mathematically and not sentimentally as you are an experienced officer.

How are the farmers benefited through activities of co-operative societies?—The net gain has not been very much so far as I have already stated in my written statement. If, as I said, all *sowcars* are induced to deposit their surplus in societies, then there will be only one agency. There is a great trouble when there are two agencies in a village. The man borrows from a society as well as from a *sowcar*, so that the benefit derived from the former is nullified, nay, devoured by the latter.

6947. Why should *sowcars* deposit their money with the societies? You want to pay only 6 per cent. while Government are offering 5·84 per cent. on postal cash certificates?—Their money would be quite safe, and there is no reason why they should not be satisfied with the rate of interest offered by Government.

6948. In comparison with the Government, the money deposited in a society is not so safe as in postal cash certificates?—I beg to differ from you.

6949. You say that *sowcars* should deposit their money with co-operative societies. I want to know what gain would the farmers derive through your scheme?—It will be in this way that there will be only one financing agency which shall be able to watch the financial conditions of the farmer better or more effectively than it is being done at present and this will be a very great gain. At present, it is very difficult for a co-operative society to know how far a person is indebted, etc., owing to his dual dealings. For the improvement of his own financial position, he will know that he cannot go to anyone else but to the society to borrow money, and therefore, he must abide by the rules of the society strictly. He will be more under the supervision of the managing committee than at present.

6950. Would not his freedom be curtailed?—Yes, but I think such restriction is desirable and in the best interests of the persons who have yet to learn lessons of thrift and foresight.

6951. *Professor Kale*: You say that many younger sons of cultivators' families migrate to Africa?—Yes.

6952. I thought this would give relief to the agricultural industry to a certain extent?—It may be so in a thickly populated district like Kaira, but not in other places where the agricultural industry suffers from lack of labour on account of this migration; there it becomes an evil.

6953. I thought that these men go abroad and bring back wealth from other countries?—No; very few of them go for making wealth. I think they go out of sheer necessity. Labourers are sent to Assam for tea plantations.

6954. If there are four sons in a family and if two go out, what is the harm?—But why can the other two not develop agriculture here?

6955. You think that there is scope for all these four sons to develop agriculture, if they remain here?—I think in some places there is scope.

6956. With regard to vegetables, are they exported in large quantities to distant districts or are they exported only within the district?—Sometimes they are exported to Ahmedabad and Bombay.

(The witness withdrew.)

Mr. TAYABHAI MULLA MAHOMEDALLI MASKATI.

(Summary of Replies to the Questionnaire in Gujarati.)

I am an Honorary Magistrate. I have experience of business in connection with the firm of Mascotis.

The indigenous banks give good facilities to merchants. The introduction of a system of registration of the *shroffs* is desirable. The names of partners in each firm and their own investments in the firm should be declared annually. Their audited balance sheets should also be published every year. Firms and societies accepting people's deposits should be regarded as public institutions and they will hold their own, and the Imperial Bank and other banks will deal with them freely only if they are registered.

The Imperial Bank is the bankers' bank as well as the rival of the banks and bankers. The joint stock banks have their head office at Bombay so they also take away the money from the districts to Bombay and the trade of Surat has suffered.

Government can help co-operative societies in the commencement by lending the services of an expert banker or by contributing towards the salary of such an officer. Leading citizens can also assist by working as Directors without remuneration and giving their premises rent free and providing capable persons as honorary managers. Thus assisted the societies would be self-supporting within a few years.

The co-operative societies have not done much good as the rules framed in Poona are made applicable to all societies and enough discretion is not allowed to local institutions to deal with local conditions.

From my experience as a director of the Surat People's Bank for six years I can say that it has helped merchants and artisans. As an illustration of the manner in which obstacles are put in the way of development of such banks, I may say that as a scheme for opening a separate urban bank for Bardoli did not materialise, the Surat People's Bank decided to open a branch there, but the necessary alteration in the bye-laws was not sanctioned by the Registrar of Co-operative Societies with the result that Bardoli is still without a bank.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am a general merchant. I have a *pedhi* in Bankong (Siam). I export goods to Japan, Germany and England. I purchase some goods in Bombay and send them to Bankong. My Bankong *pedhi* send drafts through the bank, and we cash these drafts with the banks. Formerly I used to import silk from Bankong, but now I do not import it, because the artificial silk has been imported.

I do not think the Imperial Bank in Surat gives facilities to traders and merchants. The Bank asks for sureties at the time of advancing money, and the people cannot get advances on the security of goods. Advances are made by the Imperial Bank on the security of cotton, but they are not financed sufficiently. There is, therefore, need for *shroffs* or co-operative urban banks. The trade in Surat has been benefited to some extent, say two annas in the rupee, by the urban bank or the Peoples' Bank, but not by the Imperial Bank. The capital of the urban bank and the Peoples' Bank is small, and it should be increased so that merchants and traders may be financed. In Surat

the Peoples' Bank should advance more. Formerly *shroffs* used to advance lakhs of rupees, but now they do not advance much. Much money has been attracted by the cash certificates and the branch of the Baroda Bank here. I was the director of the Peoples' Bank for six years, and during the last 65 years, the bank has done much progress. The directors and the Chairman of the bank cannot sanction big amounts of advances. The Imperial Bank does not advance money on the security of estates. I think there is no harm in advancing about thirty per cent. of the value of landed property.

About ten to twelve thousand people have taken up hand-spinning and weaving. They cannot make both ends meet. They should be given financial facilities.

In Bardoli there is no bank, and the people are too ignorant to open a bank there. I thought of opening a branch of the Peoples' Bank in Bardoli, when I was the Chairman of that Bank, but the necessary alteration in the bye-laws was not sanctioned by the Registrar of Co-operative Societies. When I was in China and Strait Settlements, I observed that a Chinese bank can open eight branches, and in one village they can open six branches. Of course, the Peoples' Bank is not a joint stock bank, but it is a co-operative bank.

It is very difficult to get even five thousand rupees in Nanavat. The economic condition of the people has been worsening here. The trade too has been depressed. Most of the capital has been invested in buildings, motors, etc., and there are a few furniture and other shops. There are two cinemas, one of which has gone into liquidation. People cannot waste their money in luxuries, because they have no money to spend. Government should stop these cinemas so that the poor people may not waste their money.

(The witness withdrew.)

*The Committee then adjourned and reassembled in Broach on Friday,
the 22nd November 1929.*

Friday, November 22nd, 1929.

BROACH.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. H. V. DESAI.

Mr. B. S. KAMAT.

Professor V. G. KALE.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

A. O. KOREISHI, Esq., M.A., F.B.U., C.S., Collector of Broach.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—Most of the agriculturists who are for the greater part ignorant of the vast advance made by the modern world towards banking as towards other branches of civilization derive their finance from local *sowcars* (money-lenders), gin and press owners and co-operative societies, if any, for—

(a) expenses during cultivation, (b) capital and permanent improvements and (c) other special needs. Only a few have recourse to well established banks. Government also grant *taccavi* loan to agriculturists for improvement of land. When there is a failure of monsoon, relief is given to agriculturists by suspension and remission of land revenue and also by the grant of seed or cash *taccavi*.

(b) The rates of interest charged by *sowcars* in this district vary from 9 to 18½ per cent. Co-operative credit societies charge 9 per cent., the land mortgage bank charges 7 per cent., and Government 6·75. Loans are taken for periods varying from one year to twenty years according to needs. Land, houses, ornaments, jewellery and sometimes cattle and crops form the security given and accepted. Lands are mortgaged with or without possession and sometimes conditional sales are also effected.

(c) Government give *taccavi* to the agriculturists in bad seasons, especially in the Bahra tract.

There are agricultural credit societies in this district which receive loan from the co-operative bank. They lend money to agriculturists who are their members. There are no indigenous banks here, and bankers and professional money-lenders do not lend money to agriculturists with whose credit they are not well acquainted. They require land in security of the value of twice or thrice the amount of money to be lent.

The Imperial Bank of India does not do anything substantial towards financing agriculture except through large and substantial gin and press owners whose credit is recognised partly on the basis of gilt-edged securities and partly on personal securities.

There are no branches of the joint stock banks in this district, but plenty of professional money-lenders who lend out money in rural areas. Some large *zemindars* also lend money and some cattle dealers, especially Sindhis, also assist agriculture by selling bullocks on credit.

(f) The local money-lenders, as in a large measure even the co-operative credit societies, have no regard to the thrift of the simple people and are frequently careless as to the purpose for which they lend money. They should charge moderate rates of interest giving credit to *bona fide* borrowers for important agricultural purposes only rather than making themselves concerned only with the rates of interest to be earned. Money-lenders do not advance money to agriculturists except on good securities as the latter do not repay the advance punctually and the money-lenders have to have a recourse to the civil court for recovery of their money. The litigation is very expensive and the recovery is slow. Moreover the agriculturists try to take advantage of the provisions of the Dekkhan Agriculturists' Relief Act according to which they cannot be seized and sent to civil jail and their agricultural cattle cannot be touched.

(g) There is no co-ordination among co-operative credit societies, indigenous banks, or *sowcars* and steps should be devised to prevent borrowers from overlapping loans from different sources.

QUESTION 2.—The principal crops of this district are *juar*, cotton, wheat, *tur* and *lang*. Of these *juar*, wheat, *tur* and *lang* are sold out wholesale by the producers after reserving some stock for personal consumption and some for seed, to dealers in corn who retail them off gradually to the people at large, while cotton has to be taken over to the owners of the ginning factories or to cotton merchants who purchase it at the market rate. In some cases agriculturists get their cotton ginned and store it for better prices. Ginning factories also advance some money on the security of obtaining cotton.

The local branch of the Imperial Bank of India does assist such factory owners and other substantial money-lenders according to their credit.

(b) If co-operative effort is made in the marketing of produce it is bound to attain great possibilities and is likely to relieve poor agriculturists from the clutches of the greedy gin-owners and the present day middlemen. There exists an association of the gin-owners at Ankleshwar and Hansot who perhaps do a little of the co-operative work, but the number of such associations requires to be greatly augmented in the district. The gin-owners' association is intended for charging a uniform rate for ginning cotton and pressing cotton bales. In my opinion there should be co-operative societies for the sale of agricultural produce of cultivators, and if formed on sound principles and managed in business-like method, they would go a great way in doing away with the profit of intermediaries.

QUESTION 3.—	<i>Jirayat</i>	Rs. 200 to 600 per acre ;
	<i>Bagayat</i>	„ 500 to 900 „
	Rice land	„ 200 to 500 „

The value of land is mainly dependent on the fertility of the soil and its propinquity to a public road, a river bank or a railway station.

In ordinary cases of non-payment of land revenue the land, in respect of which the arrears have accrued, is forfeited to Government and is not sold by public auction. Owing to the combination of village people, land sold for execution of civil decrees or for the recovery of land revenue due in respect of land other than that to be sold, the price realised is less than that obtained in sale by private negotiation.

QUESTION 4.—There exists no hindrance to land being mortgaged in this district unless the land be *bhagdari* or of new tenure in which case it cannot be mortgaged as also

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it cannot be sold out or leased without the Collector's permission. In the case of *bhagdari* lands the alienation of an unrecognised portion of a *bhag* is null and void. Recently a land mortgage society which gets itself financed by the Bombay Provincial Co-operative Bank through the medium of the co-operative bank at Broach has been started.

There is no agricultural bank in this district. It is desirable to have one which should derive its funds from the central institution. There is one co-operative bank in this district which lends money to co-operative societies.

It is necessary to see that the conditional sales, which are in effect mortgages with possession, are properly recorded in the presence of the registering authorities, or better still, different scales of stamp duties which would straight off indicate whether a transaction was a mortgage proper or a conditional sale.

QUESTION 5.—It is not possible to arrive at an estimate of the indebtedness unless all money-lenders, banks and societies are consulted and persuaded to give in good faith the figures of all credits made by them to individual borrowers in a particular number of typical villages for which a special whole-time officer will have to be appointed.

The officer so appointed would have to work in co-operation with other Government officers for obtaining the data in (a) and (b).

QUESTION 6.—Some hand spinning and weaving is prevalent amongst the low class people. But it is essential to popularise this by the advance of money with the aid of co-operative credit societies. In cotton producing tracts this as well as dairy farming and poultry farming would be very useful and valuable subsidiary industries for small landholders. This is essential if the rural peasantry is not to be urbanised by being attracted to large centres of industries. It is also necessary to introduce agricultural bias courses in the village schools where the dignity of manual labour may be inculcated on the children.

QUESTION 7.—In some of the rich and fertile tracts, co-operative credit societies have been a real boon, but I am afraid in some of the precarious tracts such as the Bahra, it has increased dishonesty and indebtedness.

QUESTION 9.—I would advocate the enactment of a Money-lenders' Act as in the Punjab.

SECTION II.

QUESTION 1.—The indigenous bank or banker in this district issues, and makes payment for *hundis* and cheques and lends money to merchants and others against suitable securities and in consideration of interest he fixes for it. The activities of native bankers are confined to getting a good income from interest on their capital.

QUESTION 2.—For the greater part it is the businessman to whom the indigenous banker lends money. Farmers, however, also derive some assistance from local bankers (*sowcars*) but at excessive rates of interest.

QUESTION 5.—The bankers have their capital continuously increased by compound interest which goes on multiplying and thus they have generally not to obtain capital from elsewhere. But if sometimes they grant loans to the public they pay for it six per cent. interest in season and three in monsoon.

The indigenous bankers receive deposits from small investors at a low rate of interest to supplement their capital and charge a high rate of interest when they lend money to traders, merchants, etc., who have no credit with the Imperial Bank of India or such other banks.

QUESTION 6.—No practice of this type seems to prevail in this district.

QUESTION 7.—There is some prejudice against the honesty of some *sowcars* but despite that, poor agriculturists and other people cannot but have recourse to them for the fulfilment of their needs.

QUESTION 9.—They are generally able to meet all demands but they refuse credit if sufficient security is not advanced.

QUESTION 10.—(b) A central reserve bank or a local bank with local directorate may be established in this district.

(c) It will inspire confidence of the local clientele by giving direct credit to ordinary agriculturists and other needy persons at reasonably moderate rate of interest which must be less than that charged by the local money-lenders. If, then, the people find its working satisfactory and liberal, they will turn to it, and as a consequence, local bankers will have to co-operate with it if they want to allow their own business to continue. The co-operation of the indigenous bankers can be secured by enrolling some of them on the local directorate.

(d) This can hardly be avoided.

SECTION III.

QUESTION 1.—(c) Post office savings banks, insurance companies, cash certificates and in some places banking corporations and co-operative banks are the institutions that encourage savings. Of these the insurance companies work through their agents who seek out of the banking business their own maintenance or that of their companies. There are no provident fund societies in this district.

(e) No.

(d) Yes; by the establishment of new postal savings banks and branches of co-operative banks in the interior places.

(g) Yes, they might be allowed to deposit their money in ordinary postal or other savings banks and by promising them that the interest, which would be due to them and which they do not want to avail themselves of, would be utilized by the savings banks in the manner desired or directed by them, such as educational institutions for the classes whose investments have earned the money.

QUESTION 2.—Postal cash certificates are popular only with advanced and educated people and with Government servants. It may be possible to popularize them among other classes of people by advertising their merits among them through suitable means and by cheapening their purchase.

(b) Yes. They require to be raised to make cash certificates popular.

(c) No; inasmuch as the staff treat the public intending to take advantage of the savings banks rather as mere applicants than as useful citizens, and people have to waste much time when they want to transact business.

(d) RICH AND MIDDLE CLASS PEOPLE.—The villagers who have some savings hardly think of such investment but rather invest their money in the purchase of land and live-stock or the construction of new houses and marriage and other social rites. Owing to depression in trade and high cost of living, middle class people have not much to save for investments in the postal cash certificates.

(e) Public opinion should be educated to resort to economy in luxuries. Much more is spent after tea, cigarette and such other unnecessary luxuries by ordinary men.

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QUESTION 3.—Fairly decent facility is being given to the public for the purchase of securities through the Imperial Bank and Local Government treasuries. The absence of a direct personal employee of a bank on the stock exchange necessitates the purchase of Government or other securities by the bank for their constituents, through recognised stock brokers, with the result that constituents have generally to pay double commission, *i.e.*, the stock broker quotes rates to the bank after adding his commission and the bank then adds its own. Banks should therefore be induced to buy direct at the Stock Exchange and not through brokers. Private brokers also carry on business for the purchase and sale of Government securities by charging a small rate as their commission. It would be better if Government treasuries and sub-treasuries or the post office are allowed to purchase and sell Government securities on behalf of private persons without charging any commission.

QUESTION 4.—The cheque habit is growing in large urban centres and the abolition of stamp duty on cheques has not had any appreciable effect on its growth. It would be desirable and save much waste of time if payment is made to Government servants by the issue of cheques. It will also facilitate the keeping, scrutinising and auditing of accounts and salary bills. There is no objection to the use of the vernacular script in addition to the English in banking.

QUESTION 5.—Yes, there is no doubt that the banking and investment habit in India is of a very slow growth and it is mainly due to illiteracy.

Oral Evidence.

6957. *The Chairman* : Mr. Koreishi, you are the Collector of Broach ?—Yes.

6958. I find from your written statement that for current agricultural expenses the bulk of the capital is supplied by *sowcars* ?—Yes, those who have not their own capital are supplied by *sowcars*.

6959. And a certain amount is supplied by co-operative societies ?—Yes.

6960. Do you think that the capital available is enough for current agricultural purposes or do they suffer ?—I think it is enough.

6961. But is the rate of interest high ?—Yes.

6962. Is this, in your opinion, due to the Dekkhan Agriculturists' Relief Act ?—It may be to a certain extent but not much.

6963. We have been told almost everywhere that the Dekkhan Agriculturists' Relief Act has reduced the credit of agriculturists ?—It has reduced the credit of agriculturists to a certain extent but not very much.

6964. Does the delay in the legal procedure, *e.g.*, in the execution of decrees, affect the rate of interest ?—I do not think so.

6965. Supposing the procedure were expedited and facilities for speedy recovery were afforded, would they bring down the rate of interest ?—They might bring down the rate of interest in some cases in the towns but not in the rural areas.

6966. When does your land revenue instalment fall due ?—In March or April.

6967. Therefore this does not make people borrow ?—No.

6968. Do you give much *taccavi* in this district ?—We give *taccavi* when there is flood or some such thing.

6969. For land improvement do you give *taccavi* on a large scale?—We give *taccavi* on a fairly large scale.

6970. Is there a large scope for land improvement?—People might sink more wells.

6971. I find that the *bagayat* cultivation is only about 600 acres?—Yes, especially in the *gorat* soil.

6972. Why do they not go in for more cultivation? Is it because they have no capital that they do not go in for more cultivation?—*Bagayat* land requires a greater energy whereas cotton fetches them a very good price, and naturally, they go in for it.

6973. Do you not think that if there are facilities for getting long-term capital, people would go in for land improvement, such as, sinking wells, etc.?—Some big *zemindars* might go in for sinking wells.

6974. Is it desirable to carry on propaganda for encouraging land improvement?—Yes.

6975. Do you think that *taccavi* is the only best way of financing land improvement?—I think that Government *taccavi* is much better than any other source.

6976. You say that the Imperial Bank is not doing very much for agriculturists?—The branch of the Imperial Bank here is for very many years. It is not a new branch. It has been useful in financing big cotton merchants and gin-owners.

6977. Does the bank finance on the security of cotton?—I do not think so.

6978. It is usually said in some of the districts that the opening of a branch of the Imperial Bank of India or a branch of any joint stock company means tapping of local capital which is drained away to Bombay. Do you think that this happens here, or on the contrary, it does bring in more money during the season?—It does bring in money during the season.

6979. Does it not drain away local capital from here?—I do not think so.

6980. The Imperial Bank is here for a good many years. Do you think that it has controlled or affected the rate of interest on loans for trade or on advance?—I do not think so.

6981. Are there many Pathans in this district?—Not many. There are some Sindhis in this district.

6982. Do they adopt the same methods as Pathans do in giving loans at usurious rates?—They do give loans and especially the Sindhis bring cattle and give them on credit.

6983. What do you think on the whole about the working of the Co-operative Movement in this district?—It is in the best form in this district than it has been in any other district.

6984. What do you think of its progress in the Bahra tract?—It has not done well.

6985. What has happened as regards co-operative societies in this tract?—The people are poor and perhaps there is not much honesty amongst the members. They borrow money from societies and lend amongst themselves.

6986. Is this because the tract is precarious?—Not necessarily. This happens in many other places also. But there the crops are generally poor and they cannot repay properly the loans, and the people are also not very industrious.

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6987. Does the precariousness of the seasons make them lose heart ?—It is just possible. There are *kolis* and a few Rajputs.

6988. As regards the marketing of cotton, is it brought to the market by agriculturists or is it usually purchased by petty traders in villages ?—A good portion of it is brought in the market too. There are different markets here. There is a market at Jambusar. Hundreds of carts come to the market. The gin-owners finance agriculturists.

6989. Do they advance money during the cultivation period or after the crop is ready ?—They finance cultivators a little after the crop is ready.

6990. On condition that the crop is to be brought to them ?—Yes.

6991. Do they purchase the crop when it is brought to them ?—I think they should be purchasing the crop.

6992. Are there sufficient merchants to compete amongst themselves ?—No.

6993. Supposing a man brings his cotton here, he finds that the market has gone down, and in such event are there facilities for storing his goods and getting advances against his crop in any of the markets here ?—I do not think that there are any facilities for storing here.

6994. So is he forced to sell his cotton ?—Yes.

6995. Therefore the provision of a warehouse would be an advantage ?—Yes.

6996. Is there any proposal to apply the Cotton Markets Act here to have a cotton market under the Act ?—No.

6997. You say in reply to Question 2 (b) "There exists an association of the gin-owners at Ankleshwar and Hansot who perhaps do a little of the co-operative work" Is this a pool for fixing the prices or is it an association of gin-owners at Ankleshwar ? What is the association for ?—I do not know about it, but I think it is for buying up cotton.

6998. And there is co-operation amongst themselves but not for the benefit of agriculturists ?—No, it is not for the benefit of agriculturists. It is all for self.

6999. That is to say, there is a sort of monopoly then ?—Yes.

7000. *Mr. Desai*: The association has been formed so far as my information goes for only fixing the ginning prices and not for fixing the price of cotton ?—I say that it has been formed by buying up cotton and also for fixing the price for ginning.

7001. *The Chairman*: Is much land here under the *bhagdari* tenure ?—Yes.

7002. Can it not be alienated or sold ?—It cannot be sold to people outside the *bhagdars*.

7003. To this extent the holding or the tenure of land has diminished ?—Yes.

7004. Unless he has some other land, he must be finding it very difficult to raise a loan ?—Co-operative societies give them loans.

7005. But they have got to get the consent of the other *bhagdars* ?—Yes. I do not know whether co-operative societies insist upon this condition.

7006. You say that it is desirable to have an agricultural bank. What kind of agricultural bank do you suggest here ? Is it different from a co-operative bank for agriculturists ?—It is not different from a co-operative bank, but it should be mainly meant for agriculturists.

7007. Would you like to have it on a large scale for big landlords ? Yes.

7008. In your statement you say "It is necessary to see that the conditional sales, which are in effect mortgages with possession, are properly recorded in the presence of the registering authorities, or better still, different scales of stamp duties which would straight off indicate whether a transaction was a mortgage proper or a conditional sale." How can this be done?—I shall give you a concrete example. Suppose on a conditional sale the stamp fee is Rs. 50 and on an outright sale it is Rs. 75 or 100, then the very fact that there is a stamp fee of Rs. 50 will show that it is a conditional sale and it is not an outright sale. Therefore the stamp fee on a conditional sale must be lesser than on an outright sale.

7009. You are speaking about hand-spinning, weaving and poultry farming, as secondary industries. Are these three now followed as secondary industries in this district?—The first two industries are to a certain extent followed and I do not think that there is much poultry farming.

7010. And you want to popularise these industries by propaganda?—Yes, and also by cheapening the supplies of hand looms.

7011. Do you suggest hand-spinning and weaving for the home use or for sale?—They might also sell if they can turn out more stuff. They might have their own wants and sell the rest.

7012. About indigenous banking, there has been a proposal placed before us that indigenous bankers in this province should be registered, that their accounts should be audited by Government and that the maximum rate of interest should be fixed by law. Do you think that it would be desirable to have a legislation to this effect and whether it would be effective?—It would be desirable, no doubt, but it might restrict the credit of some people.

7013. Can it be carried out in practice?—Sometimes civil courts do not allow more than a certain rate of interest. The rate of interest also can be fixed.

7014. Will there be no likelihood of evasion? For instance, one of the effects of the Dekkhan Agriculturists' Relief Act has been that sometimes twice the amount, and not actually the amount advanced, is entered in the bond. This is how some provisions of the Dekkhan Agriculturists' Relief Act are evaded?—Gradually when people become more literate and begin to understand their methods much better than they do now, probably then this thing will disappear.

7015. Do you know if the postal savings banks are much being used by the agricultural population?—I cannot give you a definite answer.

7016. The point is to get people to invest their surplus money, however little it may be, in some sort of institution. It may be either the postal savings banks or co-operative societies or some such institution?—To invest it in postal savings banks would be very good, but I think they ought to give a little more interest.

7017. In Section III (c) you say "No; inasmuch as the staff treat the public intending to take advantage of the savings banks rather as mere applicants than as useful citizens, and people have to waste much time when they want to transact business." Is it the post office savings bank that you are referring to?—Yes. There is only one clerk sitting at the window and he has to look to several clients.

7018. *Professor Kale*: You said in reply to the Chairman that you prefer *taccavi* advances. Would you like that *taccavi* advances should be made by Government

itself or through co-operative societies ?—If they are done through co-operative societies, there is no objection, provided they see that an agriculturist receives the full amount.

7019. In Section I (f) you say “ The co-operative societies should charge moderate rates of interest at giving credit to *bona fide* borrowers for important agricultural purposes only rather than making themselves concerned only with the rates of interest to be earned.” Do you mean to say that co-operative societies should take more interest in the improvement of the land and should advance money to sound agriculturists ?—Yes.

7020. *Mr. V. L. Mehta* : In some of the richer districts of the presidency we are told that very much gold is being hoarded and a large quantity of gold is imported. From your experience could you tell us whether a large quantity of gold is coming in here ?—Gold is coming in for ornaments but not for hoarding.

7021. Have you very many *talukdars* in this district ?—Yes, I have at least three or four.

7022. Not like the small *talukdars* who are in Ahmedabad ?—No ; here the *talukdars* are very substantial.

7023. Does not their financing here present any serious problem ?—No.

7024. Do you think that the problem of financing the tenants of *talukdars* is a little more difficult than the problem of financing the ordinary cultivators ?—Yes, it is very difficult. For instance, the Thakore of Amod has stood as security for his people to whom we advanced money during the floods.

7025. Would you like to encourage *talukdars* standing as security and borrowing money for their tenants ?—Yes.

7026. At any rate in this district they are cared for by the *talukdars* ?—Yes.

7027. Have you *narvadari* tenure also here ?—Very little.

7028. It is only in Kaira ?—Yes.

7029. About this *Bhagdari* Act you have made some suggestion that so far as transactions between co-operative societies and their members are concerned, certain restrictive provisions of the Act might not be made to apply. This is what is suggested here ?—As a matter of fact the ideal state of thing is that the *Bhagdari* Act should not be there. Why should the credit of a man be restricted ? Many a *bhagdar* would like that it should go out.

7030. *The Chairman* : Would not the interest of any one be affected ?—No.

7031. *Mr. Kamat* : If a Money-lenders' Act were to be passed, do you think that all village money-lenders could be brought under the operation of this act and transactions audited without any administrative difficulty ?—You will have to maintain a fairly large staff for auditing purposes.

7032. There is an idea that a certain class of money-lenders, not the village money-lenders, should be on an approved list, that is to say, they should be recognised as endorsing *shroffs* by the Imperial Bank or they should be recognised by your Department or by the Excise Department as men whose endorsement can be there or who can stand sureties instead of cash deposits whenever your Department requires cash deposits. Would this be a good idea in your view both from the banking point of view and from your Departmental point of view ?—From the banking point of view it would be a good idea, but from the Departmental point of view I am not sure whether it will work.

7033. For instance take the Public Works Department or the Excise Department. A recognised banker standing surety would dispense with the need of cash deposit being placed in the hands of Government. Would you not recognise such sort of bankers on a bankers' list?—No.

7034. But would you like to apply the Money-lenders' Act even to the better type of bankers?—Yes.

7035. You suggest that, so far as co-ordination of finance between the various agencies is concerned, borrowing from two or three agencies should be prevented, if possible. Have you any definite suggestion to make to prevent borrowers from overlapping loans from different sources?—Government should be asked to ascertain the liability of borrowers.

7036. If co-operative societies insist upon such a condition with great rigidity, do you think that people will care to become members of societies?—Why should they not, because they are getting loans at a lesser rate than ordinary *sowcars*!

7037. I think that 50 per cent. of the holdings in this district are below 5 acres?—Yes.

7038. You know that small holdings are generally unprofitable to agriculturists?—Yes.

7039. Have you noticed, in the course of your experience, that men who are having small holdings are perhaps indebted to a very great extent? Is there any difference in the indebtedness between a small holder and a man holding 15 or 20 acres of land?—The man holding 15 or 20 acres of land would be indebted proportionately.

7040. Supposing a co-operative bank or any other bank manages to give loans at a very small rate of interest, would such an agency be able to save these small holders from going into indebtedness?—Most of these small holders try to add to their income by other means.

7041. Is it worth while to finance such small holders? Would it be a better policy to leave them alone and help those who can rely on agriculture?—But what is to be done with those who will not leave their lands?

7042. Now co-operative societies try to finance all alike, that is to say, a man who can live on agriculture as well as a man who cannot live on agriculture. Would it be a better policy not to waste finance on men who cannot live on agriculture and only devote the finance to those who can live on agriculture?—Why not induce co-operation amongst smaller holders also? Supposing there are three men side by side holding 5 acres each, the co-operative society can finance them if the three combine together.

7043. Do you think that by voluntary association this sort of grouping would be possible?—If a man holding five acres comes to a society and applies for a loan he can be refused by the society, and the society can tell him that if three of them will join together it can give them the loan.

7044. *Mr. Desai*: Do you know the condition of farmers in the Gaekwar territory?—Yes, I think it is nearly the same there as it is here.

7045. I made private enquiries and I learn that the economic position of the farmer is much better?—This may be your information.

7046. It is a fact?—I do not think so.

7047. In your statement you say that the rate of interest charged by *sowcars* in this district vary from 9 to 18½ per cent.?—That is two pies per rupee.

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7048. I want to know from you, after taking into consideration the losses incurred by *sowcars* also the risks and the legal charges, what would be the net return for *sowcars*?—Leaving aside 50 per cent. margin for all these risks, they would get 10 to 12 per cent.

7049. What is the rate of interest charged by co-operative societies?—I think it is 9 per cent.

7050. So there is very little difference between these two rates?—No. There is a considerable difference. I mean there are cases where 37 per cent. interest is charged.

7051. And there are some *sowcars* also who charge 6 per cent. interest?—They may even charge 5 per cent. if he is a very good cultivator.

7052. But taking into consideration the securities offered to co-operative societies and also to *sowcars* and the risks involved, do you not think that there should be some cover against all these risks of legal charges and other things?—There might be a commission but not to the extent they get now. There are so many underhand ways of giving money. They take down a document for Rs. 100, and they deduct the first year's interest and give the balance to him.

7053. One of the objects of Government in the opening of the branch of the Imperial Bank is that there would be some efficiency in the treasury Department and also some saving in the expenses. What is your experience about this? Has the Government made some saving in the treasury budget?—These figures can only be had from Government because the bank here has been started not just now but it has been here for 30 years or more. I think that on the whole there is a saving of time and some money.

7054. *The Chairman* : Referring to the point raised by Mr. Kamat you said that the holdings below five acres in this district are 50 per cent. and between 5 and 15 are 27 per cent. Mr. Kamat put it to you whether it was desirable to finance the 50 per cent. holders whose holdings are below 5 acres because the 5-acre holding in itself does not bring an economic return and you replied that they usually supplement their income by subsidiary occupations?—Yes.

7055. In that case do you see any harm in financing these small holders?—If they are able to return the loans easily they might be financed, but it would be better if four or five of them combine and a joint finance is made to them.

7056. But if a man who has not an economic holding can make both ends meet by recourse to subsidiary occupation, would there be any harm to finance him?—There is no harm at all to finance him.

7057. What would be an economic holding in this district?—It will vary with the soil, nearness to the railway station, the needs of the buyer and the needs of a man who wants money.

7058. Supposing there is a family of five, do you not think that on an average 10 to 15 acres would be sufficient to maintain them?—In black cotton soil 10 to 15 acres will do.

7059. In the case of half of the number of cultivators in this district it is not possible for them to maintain themselves and their families, and they do something else?—Yes.

7060. Do you give any *taccari* under the Agriculturists' Loans Act usually to the backward tribes like *kolis*?—No.

7061. Where do they get money from?—They get money from *sowcars*. We did give *taccari* in 1918 when the season was bad.

7062. In the ordinary seasons do they borrow from *sowcars*?—Yes.

7063. In the case of these people the rate charged by *sowcars* must be very high?—Yes.

7064. Do you think that any special system of finance is necessary in the case of these people?—The Bahra tract should be put as a special tract for *taccavi*.

7065. Are there any small industries in this district?—There is a little weaving and a little spinning.

7066. Are there weavers here?—They are low caste people mostly.

7067. How do they manage to get finance for their industry, or do they not generally require much finance for their industry?—I do not think that they require much finance.

7068. But are there no other weavers excepting them?—There is a certain industry called *razais*. There are half a dozen families who have taken up this industry.

7069. Does not the question of finance arise in their case?—No.

(The witness withdrew.)

**Diwan Bahadur A. U. MALJI, Divisional Honorary Organiser,
Co-operative Societies, Northern Division, Broach.**

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The Imperial Bank of India and the joint stock banks hardly provide any finance directly for agricultural purposes, though it cannot be denied that they have something to do with financing only during the marketing of the agricultural produce at a very late stage, say almost after the final storage process is reached. At this stage again it is the middleman only who is temporarily helped.

The village money-lender occasionally helps during the initial process at a time when the crop is in the field and sometimes even earlier for cultivation or maintenance expenses and, more particularly, when a season fails, provided his own financial condition permitted that being done. He even helps the agriculturist for payment of land revenue, but in both the last mentioned cases he charges high rates of interest either directly or indirectly. The same is the case with an itinerant class of bullock, suppliers, mostly Sindhis. There is also a class of dealers who dabble into the purchase of raw cotton as merchants or commission agents financed by gin-owners, and they make a profit from the commission earned by them or from the margin of profits if they acted on their own account either in disposing of the same in an unginned or ginned condition or even in fully pressed bales with advances for further business on the security of the commodities duly insured against fire.

The agriculturist does not obtain his finance from any one quarter, and there is no arrangement reached in co-operative societies where they exist for ensuring fidelity or loyalty in business by making adequate finance available even on due security. Under the present state of things it is not possible to give any reliable estimates of money required for a district or a province, though, if figures are collected from a village taking it to be an unit, it is possible to give some idea, but this too is a laborious

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task and a part-time or honorary secretary, unless very seriously at his duties, will not be very helpful in this direction. The loans in kind, though occasionally very desirable, are only a matter of rarity and may simply be ignored. It is very doubtful if agriculture, in its present state, can be at all called an industry, however much it is necessary to make it such.

The Government *taccavi* hardly comes in time and is almost invariably inadequate. It has added to indolence of the people in some areas and is often found in practice as enabling payment of revenue or other debts due by agriculturists except when it is advanced in kind. *Taccavi* advanced more than ten years ago needs be written off with a view to ease the situation.

I would suggest the following idea to make co-operative lendings effective in the district :—

1. Each village or a group of villages must have a co-operative credit society and steps should be taken to organise them in a congenial area after paving the ground for organisation.
2. With a view to promote the loyalty, things must be so arranged that prompt and adequate or full finance may be advanced.
3. The bye-laws should contain a provision which will prohibit a member from borrowing from outside except with the written consent of the managing committee of the society. The managing committee should feel bound to consider and dispose of such applications within one week of their receipt.
4. A member breaking the afore-mentioned provision in the bye-laws must entail expulsion from the society.
5. A separate co-operative credit society for *zemindars* must be organised in each *taluka* for the benefit of large landholders allowing larger limits for borrowing than what obtain in rural societies. The promoting members for such a society must declare before a magistrate all about their existing liabilities to other co-operative organisations embodying their willingness to transfer all such liabilities to the *taluka zemindars'* credit society. None but a person residing in such *taluka* and owning more than 50 acres of land can be enrolled as a member in such *taluka* organisations.
6. The business of long-term loans should be discontinued from rural societies within the area of a land mortgage society and transferred to the latter within the limits of its competency.
7. In rural societies, with a view to protect the sureties and the borrowing members share-holding should be increased to one-fifth from one-tenth of the loans sanctioned.
8. In the case of landless cultivators, the latter should be required to insure their lives and assign their policies to the society and the sureties should guarantee regular payment of premium.
9. The borrowing members in rural societies should be compelled to insure their cattle in a cattle insurance society, if one exists within the area.
10. A statutory charge on the members' holdings next to that of Government revenue should be declared in favour of rural and urban societies and section 24 of the Co-operative Societies Act accordingly modified. Some suggestions recently made by the Rangoon Committee on the basis of the English Agricultural Credit Act of 1898 may also be considered.

11. Every society should be compelled to keep a list of the total liabilities of each of its existing members along with his assets and revise them both annually.

12. All seeds and commodities imported by co-operative societies should be exempted from local taxation.

13. Sub-treasury business may be transferred to district banks on condition of opening branches in *talukas* or *mahals* and A class rural societies should be encouraged to collect Government revenue on a commission basis and on a certificate from the Registrar.

14. Facilities for insuring agricultural profits should be introduced but very cautiously and by degrees. This sort of business could be provided in each rural society by making a bye-law to sanction a fixed percentage for losses out of an annual collection, for those members only who have contributed a fixed sum of Rs. 10 every year to be separately invested by the society in its financing bank at such rate of interest as is charged by it on its lending to the society. Rs. 10 premium to the society will be a very good substitute for the 10 per cent. compulsory deposits and I dare say will be very much appreciated by the members. The annual agricultural profit of each member will, however, require to be fixed in advance, regard being had to normal conditions individually and after making all allowances of cost of production excluding his maintenance. The percentage of loss to be compensated may be fixed at 33 per cent. of the estimated profits. Each society may bear 11 per cent of the loss and reinsure the risk against payment of fixed premiums with its financing institution which will contribute to the extent of another 11 per cent. of same, the remaining 11 per cent. being guaranteed by Government.

15. Within the area in which market facilities are extended by Government, the Government providing grading facilities also, the society should undertake to sell their members' excess produce through such agency as the Registrar may direct, the Society contributing *pro rata* two-thirds of the cost out of the sale proceeds, Government providing the remaining one-third itself. In non-society area, too, these facilities will be greatly appreciated if Government helped small producers in the manner indicated in the Egyptian Scheme of Finance, recently promulgated. This kind of advances, however, will be limited to money crops only.

16. The *bhagdari*, *narradari* and *talukdari* tenures should not affect the society's lendings, to its members, and a section may be added in the Co-operative Societies Act that nothing contained in those enactments should affect the dealings between co-operative societies and their members.

17. A similar amendment is necessary in the *Mamlatdar's Courts Act*, section 5, by adding a proviso that nothing contained therein will affect a suit filed by a co-operative society upon a lease obtained by it against its members or their legal representatives.

18. For revenue recovery no coercive measures should be taken against members of a co-operative society until after the expiry of three months from the dates of the instalments fixed by Government, if the society so desired on a resolution passed by its general meeting.

19. In times of need, at the request of the Registrar, famine insurance fund and post office deposits within the district, including those evidenced by the postal certificates, should be made available to rural societies through the district co-operative banks at a rate of interest not exceeding 4 per cent.

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20. Spinning, weaving and tailoring should be introduced in the vernacular curriculum of standard V, VI, and VII and decent prizes announced as in Manitoba for proficiency therein. The rural schools course must include bias and connected industries. In urban area too industrial bias and vocational schools are now in demand and in their absence weavers as a class are fast deteriorating all round.

21. The Imperial Bank should collect all cheques on local co-operative societies at par.

22. The Dekkhan Agriculturists' Relief Act need not be repealed altogether, but it should be limited in its application to small agriculturists, say owners of less than 50 acres of land and to actual cultivators. The insolvency provisions in that Act, which are not extended to the entire Presidency, may be examined and may then be either extended or in case of repeal of the Act they may be consolidated in the Provincial Insolvency Act or separately enacted in the form of a Rural Insolvency Act.

23. Similarly the village *munsiff's* court (sections 34 and 35 of the Dekkhan Agriculturists' Relief Act), originally exercising powers up to Rs. 10 claims, since found popular and whose limits have been raised to Rs. 25 only very recently, cannot be dispensed with without causing serious inconvenience to village people. The cost of litigation in civil courts in small suits is simply prohibitive. I am not prepared to lose this institution by repeal of the Act, but would rather press for its further extension both in point of the territorial as well as money limits.

QUESTION 2.—Provision against not admitting the negotiable instruments upon payment of deficient stamp and penalty made in the Indian Stamp Act (Section 35) needs be relaxed if negotiable instruments are to be popularised. At present they only work as a hardship.

QUESTION 3.—The price of land per acre varies according to its character and tenure. It also depends upon the mentality of the contracting parties and the ruling prices of the commodities. The sales for non-payment of revenue generally fetch less prices but court sales too are not always nearest the truth and private sales often err on the side of over-valuation either on account of old debt consideration or on account of principally the mentality of the agriculturist buyer.

2. Land mortgage societies should be introduced in each district and all long-term business transferred to them in course of time.

QUESTION 4.—In case of the repeal of the Dekkhan Agriculturists' Relief Act, section 10A benefits provided by the Act cannot be left out altogether and it will then be essential to amend the Land Revenue Code, Chapter X(A), by adding a section requiring the *Mamlaldar* to himself take down and note the substance of the statement made by the parties to every document of sale executed by an agriculturist, to ensure the conditional sales really intended to be acted upon as mortgages only. The present practice of only recording the documents when registered or produced by the party obtaining them is only *ex parte* and it works very much to the prejudice of the agriculturist.

2. The reserve and to some extent the surplus funds of the central banks should be invested in buying debentures of land mortgage banks which will guarantee better returns, help the land mortgage banks and will save the heavy depreciation to be occasionally written off, on account of fluctuations in Government paper quotations.

3. The debentures floated by land mortgage banks should be declared as trust securities and Government should buy at least a quarter of the securities so floated by them from time to time and in that case Government guarantee of their interest payment will do.

QUESTION 5.—The condition is the same as that stated in paragraph 3 of my note on question I.

QUESTION 6.—Hand-spinning and weaving have a great future provided they are systematically worked. A village or town should interest itself in producing such stuff only as it can doubtless consume. This will save all transport cost and, if taught from the school, will make people self-reliant to a considerable degree. The progress will, however, require to be tested for a few years through a local committee advised by the Director of Industries.

2. The local boards, the municipalities and the *taluka* development associations should be induced to interest themselves more and more in this direction.

3. Printing, bleaching and tailoring of the cloth should also be added in due course.

4. Buffalo keeping is another paying by-industry for sale of unadulterated milk only.

5. *Ghee* supply is also an advantageous by-industry provided the danger of loss of vitamins in adulterated stuff is brought home to the people by a great deal of propaganda and severe measures adopted against pernicious adulterations.

QUESTION 6A.—In certain areas such as sea coast villages the *bund* making and in other villages the country routes need be attended to, and if the Local Board and Public Works Department only think of these, the agriculturists who are not employed during about four to five months of the year can well get a living wage and the work also usefully done on the spot with little careful and timely attention on the part of the responsible authorities.

QUESTION 7.—The Co-operative Movement has undoubtedly succeeded in securing loans apart from their adequacy at proper time and at lesser rates of interest on the whole provided the necessary preliminaries are timely completed.

QUESTION 8.—See answers to Question 1, suggestions No. 16 and 17 and paragraph 1 of answers to Question 4.

QUESTION 9.—The Usurious Loans Act alone will not answer the purpose. The penal interest though condemned in Section 74, Indian Contract Act; is being recovered in co-operative societies. This and compound interest should both be done away with as soon as possible and punctual repayments compensated by bonus out of profits earned by society. When people's earning and saving capacities are reduced, it is unwise to add to their burden by wheel and penal interest.

2. A Money-lenders' Act, permitting the licensees to do such business at a rate of interest not exceeding a maximum to be named for each district, regard being had to all allowances stated in the question, is a crying need of the day and no honest money-lender will suffer in consequence of such Act. It will improve the moral tone of this all important business affecting 80 per cent. of the population.

SECTION II.

QUESTION 6.—The interest, if honestly earned by an indigenous banker after making all allowances stated in the question, will not work out more than 6 per cent on the whole.

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2. The commercial morals are, however, so degraded that it is not possible to improve existing methods unless licensing is introduced.

QUESTION 8.—With the safeguard of a money-lender's license an indigenous banker or bankers' society as such can be induced to supply the agricultural necessities on payment of a defined commission or to similarly sell their commodities and render all full and true accounts to his or their clients.

QUESTION 9.—Indigenous bankers cannot be said to possess sufficient funds to meet all demands. I would think of making use of them as agents as stated in answer to question 8, and a society, if organised for such agency purposes to be financed by the District or Provincial Bank, will be very much welcome. All the same, the indigenous banker is indispensable as the country has not yet appreciated the results of the associated efforts.

QUESTION 11.—I do not think that indigenous bankers have large balances of cash money with them. I find their condition considerably affected and reduced poorer by doing business on an unsystematic basis or risking their funds by lending for speculative business.

2. If adequate finance on the lines suggested in my answers to question 1 is undertaken, I dare say there will be no surplus funds going to the Provincial Bank or outside the Movement. At present there is no fidelity at both ends, and hence the difficulty which is not insurmountable.

SECTION III.

QUESTION 2.—In my opinion the postal cash certificates business has very much impaired the progress of the Co-operative Movement. Such business should rather be done by societies and Government should not compete in this manner. In the Movement when the Provincial Co-operative Bank cannot allow the interest derived by the purchaser of these postal certificates, Government openly do a lot of business on these better terms.

QUESTION 4.—The cheque is being popularised on account of abolition of stamps. Payments to Government and other public servants, also of Government revenue, etc., in cheques need be encouraged. Much theft and breach of trust will be avoided and a few employees also reduced, if this is enforced.

2. I would advocate the vernacular script side by side to popularise cheques in all divisions speaking different languages and in English commercial circles as well.

Oral Evidence.

7070. *The Chairman*: Diwan Bahadur Malji, you are the Divisional Honorary Organiser of Co-operative Societies, Northern Division?—Yes.

7071. For how many years have you been doing the organisation work in Gujerat?—For the last 16 years.

7072. You are also a practising lawyer here?—Yes.

7073. When was the Dekkhan Agriculturists' Relief Act introduced in Gujerat?—It was introduced in the year 1905.

7074. Were you practising before its introduction?—I have been practising since 1896.

7075. Do you find there has been any change in the credit of the agriculturists in Gujerat and especially in Broach since the Act was introduced?—In the beginning where the mortgages were very old and at a time when there was no court fee to be paid, agriculturists came to courts and got lands free from all burden. At that time people did not know how to defeat the provisions of the Act, but since then there are counter-moves to see that the effects of the Dekkhan Agriculturists' Relief Act are practically set at naught.

7076. Has this affected agriculturists?—Yes, it has affected agriculturists.

7077. Do you think that the abolition of the Dekkhan Agriculturists' Relief Act would revive their credit?—I am not for wholesale abolition.

7078. Suppose some modifications are carried out, will their credit be the same as it was before?—We want it to be improved than what it was before.

7079. But what would happen?—The Act, if carried into effect with some modifications, might to a certain extent restore the original conditions.

7080. To what extent has the introduction of the Co-operative Movement improved or otherwise affected the credit of the agriculturists?—There are no proper data to judge the results, but I can say without any fear of contradiction that it has made people pay a lesser rate of interest whereas they had to pay more before the introduction of the Co-operative Movement. There is a good deal of check brought upon the usual rate of interest obtained in this district. Secondly, if the preliminaries are properly gone through, the money can be paid to members almost in time and in full. What I mean is that there is no intermediate stage wherein money could get away.

7081. Still, from your note, it seems that members are not adequately financed?—People have not yet picked up the importance of the preparation of normal credit statements and they are not quite truthful to distinguish their real requirements and see that they are checked by a proper agency.

7082. Is there now a gradual improvement or a gradual deterioration so far as this point is concerned?—I think there is an improvement from the point of view of control, but from the point of view of finance, the present arrangements of finance are not quite satisfactory, in that the loans to agriculturists are according to limits which in this part of the country are low.

7083. Taking an individual society consisting of 50 members, do you not think that the limit fixed would be sufficient for a majority of members?—Yes, I think it would be sufficient.

7084. Therefore, so far as the majority of members of a society are concerned, there should be no difficulty?—No. Therefore I have suggested that a separate co-operative credit society for *zemindars* must be organised in each *taluka* for the benefit of large landholders.

7085. Would it not be possible to finance them under the present system?—It is not easy to do so. In the beginning we may have such *taluka* banks for large landholders.

7086. Would that not reduce the credit of the existing societies?—Certainly not. They will be consulted just as a land mortgage bank has to consult a rural society before making any advances. If persons happen to be members elsewhere, they should certainly have to be consulted or we may have to take an assurance from them distinctly that they are not members in any rural society.

7087. Will this society be on an unlimited liability basis?—No, because the tract would be larger and you will not find in one village large *zemindars*. In the beginning it will be a *taluka* organization.

7088. Can it be registered under the present Act as a limited society?—It can be registered. There are, I think, *zemindars*' societies in Sind. I am not sure whether they are unlimited.

7089. But under the present Act can an agriculturists' society be formed in order to give credit on limited liability basis?—Ordinarily not except with the consent of Government. After all a co-operative society's law is a man-made law. Government can exempt societies from certain provisions.

7090. You mean that without a change in the legislation the necessary alteration can be made by sanction of Government?—That is so.

7091. Has the Co-operative Movement displaced *sowcars* in this district?—I can assure you that the societies in this district at any rate have mostly taken up the place of *sowcars*. After the introduction of the Dekkhan Agriculturists' Relief Act the village money-lenders have been disappearing and they have disappeared fast from the villages. They were people from Marwar and other places and they have left the villages altogether and have gone to bigger towns.

7092. Do members depend entirely on societies?—No, not entirely. They have to depend upon indigenous bankers in *talukas* or in cities and also on Government *taccavi* occasionally.

7093. Why do they not take much *taccavi*?—It is lent in certain parts of the country in certain years when the season is not good.

7094. The Collector just now told us that in the *Bara* tract the societies have not been doing well; do you agree?—Yes.

7095. Is this due to the backwardness of the people?—In the first place the tract is precarious, the rainfall is not quite sufficient and people are also indolent in a way. These are sea-shore villages. Every year is not a good year. Every alternate year has been a good year. In such places if you expect a member to pay money punctually to the society it is not possible for him to do so. I say that it is not humanly possible.

7096. But for such tracts is it not necessary to change the system of finance?—Yes, it is necessary to change the system of finance.

7097. Cannot this be done in this tract?—It can be done provided proper information is available. I hear that even the *taccavi* of more than ten years is yet to be collected in this tract just as in Matar. In *Vagra taluka* the agriculturists are given some finance by Government and its appropriation is hardly looked after.

7098. Will not this be possible in the *Bara* tract?—I cannot vouchsafe because it requires constant watching.

7099. As at present, is it dangerous to finance this tract?—Yes. There are already arrears from 1925 onwards in this tract to be paid to the Central Co-operative Bank.

7100. Do *sowcars* finance them?—Yes. As the alternate year is good, in the first alternate year they would pay to the *sowcar*; in the second alternate year they would pay to Government and in the third alternate year they would pay to the society. This is how they repay their debts.

7101. Which districts have advanced so far as the Co-operative Movement is concerned?—Broach district is in the forefront. After this, a beginning was made in

the Panch Mahals district in Dohad and Jhalod *talukas*. There is a fair assurance of success in these two *talukas*. The remaining three *talukas*, with the help of the Department, the Co-operative Institute and the propaganda officer who has been specially deputed, are progressing well.

7102. How is the experiment in Dohad going on?—I think there is a fair assurance of success. Everything is done by the special *Mamlatdar* here. Really speaking, he is the man who moves because the people are illiterate.

7103. Would you suggest the introduction of such a system elsewhere?—The Mandvi tract in the Surat district requires to be worked on similar lines.

7104. Are there societies in Mandvi?—Yes. There was a time when Government gave all secretarial expenses incurred, but now they are not doing so.

7105. In the case of the backward tribes in the Panch Mahals can you suggest any better system of finance which could be introduced there?—I am not for *taccavi* because people do not get it adequately. Sometimes they get such *taccavi* as can help them to observe one holiday. The way in which *taccavi* is recovered is also sometimes very hard on the people. Last year I observed in Vagra *taluka* which was economically very bad, the *talati* giving *taccavi* stating in black and white that Government *taccavi* shall be recovered by sale of animals. If this is so the animals had again to be bought by fresh *taccavi* advances. I am not for *taccavi* advance which really hampers the agriculturist.

7106. Has the land mortgage bank here made much progress?—It has recently been started, and till now only three applications have been sanctioned and the money paid off. The remaining applications have been awaiting sanction.

7107. How much money has already been paid?—So far, less than ten thousand rupees have been paid.

7108. How is the amount actually owed by the applicant found out?—If there are mortgage documents, it is easy to find out. Apart from that, if the demand is supported by vouchers, we can check them. Very often they have no vouchers, because they borrow from relatives and friends, and we make enquiries wherever possible. In some cases it is difficult to find out.

7109. Does it not happen that in many of the documents a larger amount is entered than what is actually advanced by *sowcars*?—It is so on account of the Dekkhan Agriculturists' Relief Act.

7110. Do the *sowcars* agree to receive the actual amount that they have advanced?—They do, because they fear that if they go to court, they will have to receive much less.

7111. Are these loans for redemption of debt or for land improvement?—There is one application for land improvement.

7112. What do you think of *taccavi* given through co-operative societies for land improvement?—For land improvement *taccavi* is generally given through the Bombay Provincial Co-operative Bank, so practically the whole show of Government *taccavi* is run by co-operative societies. In non-society areas Government runs it.

7113. Are these applications received from various parts of the district?—Yes.

7114. Are there many instances of sale of land in case of default?—There are many cases, but there have been cliques, and few buyers come forward.

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7115. Do cases occur in which there are no buyers at all?—Yes.

7116. Are there many such cases?—There are at present eight or ten cases. In *Kara* villages particularly this difficulty is very serious.

7117. Is there any fear that this difficulty may arise in case of land mortgage banks?—We might apprehend that. That is why I have suggested that there should be land owning and joint cultivation societies, who would look after the management of the land, because we cannot neglect the land for all the time, if there are no buyers.

7118. You say in your statement that the Imperial Bank and other joint stock banks have hardly done anything for financing the agriculturists. Do you think that it is possible for the Imperial Bank to finance agriculture?—I do not think, because they can lend money for about three months, and the agriculturists want money for six to nine months.

7119. In your statement you say that the village money-lender helps the agriculturists more particularly when the season fails. Can the co-operative societies not do that?—When there are arrears for three or four years, the societies become nervous. The money-lender charges usurious rates of interest and he helps them. We overlook one or two failures, but when there are more than three failures, we become nervous and cannot advance to the agriculturists.

7120. Do the three successive failures occur very often?—We have had that experience here.

7121. You say in the same paragraph “There is also a class of dealers who dabble in the purchase of raw cotton as merchants or commission agents.” Where do they get finance from?—They borrow from gin-owners and buy cotton in the interior.

7122. Is most of the cotton purchased by the gin-owners?—Yes.

7123. Do you think there is sufficient competition here?—I think practically the whole of the business is in the hands of the gin-owners from raw cotton to the lint cotton sold in Bombay, and if they lose in one, they make good the loss in the other. Mostly they buy on their own account and they sell on their own account.

7124. Do the interests of agriculturists suffer?—By all means.

7125. What do the sale societies do?—There is only one sale society in Hansot mahal of Ankleswar *taluka*. In Kareli there is a ginning society, but it is not doing well. The Hansot Group Society sells its lint mostly after having its cotton ginned and pressed.

7126. Why is the Kareli society not working well?—In the second year of its existence, the floods destroyed the factory, and the whole structure was rebuilt with the help of the flood relief fund. Since then the gin-owners began to compete and paid more commission to the agents, because they knew that they would make good the loss elsewhere. Here the loyalty of the people is required, and they should not give their cotton elsewhere.

7127. In your statement in reply to question 1 you say: “The agriculturist does not obtain his finance from any one quarter and there is no arrangement reached in co-operative societies where they exist for ensuring fidelity or loyalty in business by making adequate finance available even on due security.” Are not normal credit statements prepared?—They are not properly prepared. It is such an important document that you require good secretaries, and it should be checked by the managing committee.

7128. Why is it not done properly?—There are various reasons. Firstly, we have no good secretaries, and we cannot pay them adequately; so people should learn loyalty and should serve honestly. In various villages we see that *talatis* are the secretaries.

7129. Are not local men available?—Not always; wherever they are available, they do not work to the fullest extent.

7130. Do not the supervising unions or the bank inspectors check the statements?—These are of recent introduction.

7131. You want a separate co-operative credit society for *zemindars*. Are there many landholders in this district who own a holding of more than fifty acres?—If they are not helped, they will have to go to *sowcars*, as they have been doing, and the result has been that *sowcars* have practically owned the lands, and the *zemindars* have become the cultivators. In this connection, I may be permitted to read what the MacDonell Famine Commission of 1899-1900 wrote. The commissioners wrote “In his evidence before us, the Chief Secretary to the Bombay Government said that 28 per cent. of the land in Broach had passed into the possession of the money-lending class. And from the report of the Collector of Ahmedabad, it appears that in his district, expropriation of the old owners has also made considerable way. Taking all these statements into account, and comparing with the evidence we have recorded, we think it probably that at least one-fourth of the cultivators in the Bombay Presidency have lost possession of their lands, that less than a fifth are free from debt, and that the remainder are indebted to a greater or less extent.” I would suggest that as the Committee have selected this district for intensive investigation, you might find out whether things have improved or gone worse.

7132. Will you develop your proposal for insuring agricultural profits?—It is a novel suggestion. We had one society of hackney drivers in Broach. The society commenced work in 1920, and so far Rs. 1,430 have been collected as premia, and Rs. 648 have been paid as damages. They have to pay damages at 30 per cent. and members pay loan instalments of Rs. 10 per mensem. Every member has to pay one rupee on the balance due by him on the last day of the year to enable the society to pay 30 per cent. when an animal dies.

7133. Is there no proportion between the number of animals and the amount of premium?—No.

7134. How will you find out the agricultural profits?—That will have to be taken from the point of the view of normal years. The estimated yield per acre in the village in a normal year should be calculated and I suggest ten rupees collection annually. It will be a good substitute for the ten per cent. compulsory deposits as at present taken by the society from its members. The rural society will re-insure this amount with the district central bank. The percentage of loss to be compensated may be fixed at 33 per cent. of the estimated profits, and the bye-laws of the rural society will have to be amended to bring the scheme into force. Each society may bear 11 per cent. of the loss, and the financing institute, with which the society re-insures, will contribute 11 per cent. of the loss, and the remaining 11 per cent. may be guaranteed by Government.

7135. In your statement in reply to question 1, you say: “For revenue recovery no coercive measures should be taken against members of a co-operative society until after the expiry of three months from the dates of the instalments fixed by Government, if the society so desired on a resolution passed by its general meeting.” Do you want three months’ postponement?—Practically it is a three months’ season; it may be less. In

the midst of the season the prices of the produce go down as there are more sellers than buyers, and the agriculturists have to sell their produce at the low prices to pay the assessment. In Panch Mahals (Dohad) we have been doing that. The societies pay the land revenue and Government will be saved the trouble, and the agriculturists will be able to fetch right prices.

7136. In reply to question 4, you say that the *Mamlatdar* should himself take down and note the substance of the statement made by the parties to every document of sale executed by an agriculturist. Would it not add appreciably to the *Mamlatdar's* work?—He might engage one more *karkun*; but these things ought to be very carefully considered. When these things are entered in the Record of Rights, the *Mamlatdar* should question and note down the statements, because people will not lie at once, and it will be more or less a correct record.

7137. Take the case of an ordinary agriculturist. He goes to the *sowcar* and wants to mortgage the land. The *sowcar* wants a sale deed to be passed, and the sale deed is passed and registered. The *sowcar* would not allow the agriculturist to say that it is a conditional sale?—If the agriculturist is cheated by the *sowcar*, he can say that; but if he does not, we cannot help.

7138. In reply to question 6A, you suggest that the Local Boards and Public Works Departments should undertake land improvement schemes, such as *bund* making. Are these to be done by the people on co-operative basis?—They will have to be paid for. I suggest this because it would give employment to agriculturists during four or five months when they have nothing to do.

7139. Is penal interest still being recovered by co-operative societies here?—Yes.

7140. By the bank too?—Yes.

7141. Do you approve of that?—I do not.

7142. Does the Co-operative Movement encourage thrift? That is to say, do people deposit their surplus?—It is rather difficult to speak of thrift, when people cannot make two ends meet.

7143. For the time being at least the people have money in their hands when the prices are favourable. Do they usually keep the money at that time with the society, or do they spend it?—People in the interior have not learnt to do it substantially. We have introduced benevolent compulsion of 10 per cent. in such cases, but that also is becoming out-of-date.

7144. Are the postal savings banks and postal cash certificates much patronised?—Not in the interior.

7145. *Mr. Kamat*: There are in this district a large number of people who have holdings below five acres, are there not?—Yes, there are a large number of people having holdings below five acres.

7146. We are told that they do not get enough income from agriculture and they supplement their income by other occupations?—Yes.

7147. In that case would you not treat these people as people who are doing agriculture as a secondary occupation?—Yes, I would treat them so. Most of them are really labourers.

7148. As a co-operator, would you finance an industry which is an unprofitable industry?—This is a factor which requires to be considered by societies. It is the concern of a rural society to see how far these people should be helped.

7149. But do you really think that finance is productive?—I do not think so.

7150. About your idea of landless cultivators being induced to insure their lives and assign their policies to the society, do you think that cultivators would accept the idea of insurance?—They have not yet been taught to do it.

7151. You think that propaganda would be hopeful in this respect?—I should think so.

7152. You have in this district one cattle insurance society, have you not?—Yes, there is one cattle insurance society.

7153. From your work in Gujerat, do you think that cattle insurance is a sound proposition?—This society has been in existence ever since 1918. It is over 12 years now. 807 cattle were insured. The total amount of premium collected was Rs. 2,415. 31 cattle died out of 807 and the damages paid were Rs. 1,308, so there is a balance of Rs. 900 or Rs. 1,000.

7154. After all, the number of cattle insured does not exceed 100 animals at a time?—No. We had to stop doing this work in one year because of famine lest the cattle might die.

7155. About this idea of having a big *zemindars'* society, you think that it is an absolute necessity in order to bring within the Movement those people who require larger advances of money?—Yes, this is the only object.

7156. Do they go out of the Movement if you do not start such a society?—Where they are members of societies they are always hampering our cause. *Benami* transactions are more in use. They take money in the name of even illiterate people.

7157. Therefore, to check such practices, it is necessary that we should be more honest with them?—Yes.

7158. About a Money-lenders' Act, are you in favour of it?—Yes, but, so far as its practical working will go, I do not know what will happen.

7159. Suppose you fix the maximum rate at 12 per cent., do you not fear that moneylenders in villages would try to circumvent this rate fixed and get round the provision of the law by various subterfuges?—Yes, they will try to do so as they have been doing so far with reference to the Dekkhan Agriculturists' Relief Act.

7160. Supposing instead of charging the maximum rate they give in kind or they take a sort of *vata*, would it be possible to check their accounts?—It will not be impossible to check their accounts. Although I am not for publication of audited accounts of these indigenous bankers and village money-lenders, in case of disappointment we can check their accounts or examine their accounts and properly deal with them for any shortcomings. But if we fix the lines on which they should work, I dare say that there should be no difficulty as in the case of vendors of liquor.

7161. But in the case of liquor, it is a productive department which may have to stand all the expenditure for staff. Here for the sake of checking the account you will have to keep a staff under the Revenue Department, is it not?—Yes.

7162. Why do you suggest that the Usurious Loans Act will not serve the purpose?—The court's hands are more or less tied up there. Recently there is a case reported in 119—Indian Cases, page 207, which runs as follows:—

“Interest—Mortgage bond—Power of Court to reduce rate of interest—compound interest at 12 per cent. whether excessive—Usurious Loans Act (X of 1918), s. 3.

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“ In a suit to enforce a mortgage the Court cannot reduce the rate of interest or interfere with the stipulation for compound interest merely on the ground that the interest stipulated is considered to be excessive or that the interest has amounted to a large sum owing to the defendant not paying it at the stipulated periods of the rests agreed upon in the bond.

“ The court cannot re-open a transaction under Section 3 of the Usurious Loans Act unless the interest is excessive and the transaction is substantially unfair.

“ Interest of 12 per cent. per annum with yearly rests is not an excessive rate of interest.”

This is how the Act is being interpreted. 12 per cent. interest on a mortgage with yearly rests is not considered excessive. In the case of agriculturists, if you want to help them, there is only one way, that is, by procuring them loans on easier terms as far as possible.

7163. *The Chairman* : So far as the Gujerat districts are concerned, generally an agriculturist can get loans, if he has good credit, at 9 per cent. What would be the reasonable rate on personal credit ?—12 per cent., and on mortgages not exceeding 9 per cent. This is the rate by which *sowcars* generally go.

7164. *Mr. Kamat* : The range of interest will vary from district to district. If you maintain that the Usurious Loans Act, which is an all-India Act, will not alone serve the purpose, what is your solution ?—The Usurious Loans Act generally applies to suits filed by creditors. There is very little room left for a debtor to go to a court and prove his case.

7165. *The Chairman* : Under the Usurious Loans Act a debtor can ask for redemption ?—This is another thing limited to redemption only. Actively he cannot sue for accounts of simple money loans. However, when the objection of high rate of interest cannot be removed, the only alternative is to secure them money through co-operative societies at cheaper rates and to have money-lenders registered and bring them under control.

7166. *Professor Kale* : You say, “ The penal interest though condemned in section 74 of the Indian Contract Act is being recovered in co-operative societies ” ?— I have definitely stated that both the compound interest as well as the penal interest must go.

7167. *Mr. Kamat* : You have here a co-operative society for construction of roads and for building houses ?—Yes.

7168. Will you tell us how it is working here ?—This is a society which consists of members from all classes meaning thereby the work-people, house-owners and also merchants and contractors. All these people have joined the society. The work-people get one-sixth of the profit before the dividend is declared straight off. The work is being done either for members or for public bodies like the municipality, the local boards and so on. The members are given preference in point of occupation of buildings owned by the society and in their absence non-members can hire the buildings.

7169. *Mr. V. L. Mehta* : Do you think this society or any other experiment of this type provides any solution for the problem of organizing surplus labour from rural tracts ?—Unless some sort of active help is forthcoming in the beginning this organization is not possible. What we want is organization of agricultural labour. This is the problem of the day. When we have other labour organizations, this sort of labour will also require to be organized, but there are many complications.

7170. *Mr. Kamat* : You say : " If adequate finance on the lines suggested in my answers to question 1 is undertaken, I dare say there will be no surplus funds going to the Provincial Bank or outside the Movement. At present there is no fidelity at both ends, and hence the difficulty which is not insurmountable." What do you mean by saying " at both ends"?—That is the society as well as the members. The society does not give them enough finance and the members also go elsewhere.

7171. So under your scheme if full finance is given as far as possible, there would be no difficulty about surplus funds?—That is what I want to say.

7172. *Mr. Desai* : You being an experienced lawyer I want to know your experience regarding the economic condition of the farmers in the Gaekwar territory?—They are a little better off.

7173. Will you give your reasons for saying so?—I am not in very close touch with them, but as this district is only a neighbouring one I can say that the facilities of agricultural banking in His Highness's territory are rather elastic and large landholders are accommodated. But these banks now-a-days are reported to be not doing well. The money is being locked up. The second thing is perhaps the Government recovers the loans rather on sounder lines though not everywhere. The other day round about Petlad there was a great row when the Government wanted to do away with the *bhagdari* and *narvadari* tenures. I heard Rao Bahadur Govindbhai saying that all people would not agree to these old tenures being done away with and that they are very staunch on retaining their old tenure which has been in existence since the time of *Peshwas* and that they would not allow their lands to go out of their village and out of their families, but where $\frac{2}{3}$ *bhagdars* agreed the tenure was done with. Their credit is much better than a person here holding 50 or 100 acres because he is holder of an unrecognised portion of a *bhag*. In Gaekwar territory it is not so now.

7174. *The Chairman* : You said that their recoveries were better?—Recoveries in the sense that Government revenue was on sounder lines here though not everywhere. Here the rate of interest charged against the security of land is very high and some reform is required.

7175. What rate of interest is charged by agricultural banks in the Gaekwar territory?—I think it is from 4 to 6 per cent.

7176. Is the capital for the bank advanced by Government?—They are collecting capital from both sources. The Government may give a certain proportion by way of loans but I do not know all these details.

7177. *Mr. Desai* : Can you give us any other information?—There are the village *panchayats* in the Gaekwar territory. They are doing good work.

7178. *The Chairman* : You say with regard to facilities for insuring agricultural profits " Rs. 10 premium to the society will be a very good substitute for the 10 per cent. compulsory deposits"?—Instead of taking 10 per cent. compulsory deposit during harvest a bye-law should be made that if a member does not invest a sum of Rs. 10 every year he is to be excluded from the society.

7179. Have you any savings societies here?—No.

7180. *Mr. Desai* : On the last page of your note you say : " I do not think that indigenous bankers have large balances of cash money with them. I find their condition considerably affected and reduced poorer by doing business on an unsystematic

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basis of risking their funds by lending for speculative business." In speculative business, the money changes hands. We are not losing money. Rather the country is not losing money. Do you not think so? Suppose we both speculate, the money is either with you or with me but it does not go out of our country, is it not so?—But both of them are not in the same town.

7181. Your point is that the man in Bombay is earning at the expense of the man in Broach?—I do not say so. I say that these people are doing a lot of business, but if they are faithful to their own business perhaps they will not lose much.

7182. And at the same time you say that they are doing business on an unsystematic basis. If they are doing business in this way who would be the gainers? Would the gainers be the farmers or the exporters?—Exporters would be the gainers.

7183. What would you suggest therefore to curtail the activities of exporters?—This is a very serious problem affecting free trade.

7184. If you think so, does it not affect your district?—Yes, it does affect my district.

7185. This district being a cotton district many exporters would be coming here to purchase cotton, and therefore, you being a public man, will you not give us some suggestions how to curtail such activities?—It could be considerably brought within control. They should not prove more or less exploiters. If they are merely exporters, it is a genuine business. The best course is to have pools of these crops wherever possible either through the agency of co-operative sale societies or through some other agency.

7186. Do you not think that indigenous bankers would be able to handle this business better if their resources are increased?—I have no objection to their doing this business provided it is done under proper control.

7187. I want to know your suggestion regarding the financial side?—It could be undertaken by co-operative societies or by those merchants as well if they could form themselves into an association so that even with larger resources there is no private interest observed and they will act co-operatively for a common cause.

7188. How are we to increase their financial resources?—It depends upon the parties. The big banks do declare a dividend of 15 and 16 per cent. They are more than *maruaris*.

7189. Do you want also to curtail the activities of joint stock banks?—Yes. They manipulate their business and it requires to be improved.

7190. When the time-limit comes to an end, do you want to renew the charter of the Imperial Bank?—It is an all-India question.

7191. You have a branch of the Imperial Bank here, have you not?—Yes, there is a branch of the Imperial Bank here, but it hardly touches the agriculturists.

7192. Does the Imperial Bank do speculation business?—Apparently it does not do so. At times even if there are losses they are being written off by these banks from secret profits. Every bank has its secret profits.

7193. Your impression is that you are not getting complete information from all these registered banks?—They will never give it out.

7194. Are they in the habit of writing off amounts?—I do not know that.

7195. But such things are not uncommon and these are your impressions?—Yes.

7196. You have not suggested how to finance the indigenous bankers?—I can only say that they could be financed with security only upon an assumption that they form some association.

7197. But from which fountain money should be found?—There are many joint stock banks who can finance them.

7198. You cannot force the private bankers to finance them but you can force the Imperial Bank to finance them?—Yes.

7199. Do you like the idea of a federal bank with complete control of the public or do you like the idea of a shareholders' bank as it is now?—I cannot say anything unless the details are worked out and properly placed before me.

7200. What are your views regarding the present working of the Imperial Bank?—I have nothing to do with its actual working.

7201. What are your views regarding the present working of the branch of the Imperial Bank here?—I have very little to do with it. So far as it is made known to the public, the branch here is practically intended for merchants who do business for three or four months, and it acts as the Government banker in a way.

7202. In reply to question 6, Section II, you say; "The interest, if honestly earned by an indigenous banker after all allowances stated in the question, will not work out more than 6 per cent. on the whole." How have you calculated it?—The money-lenders help the poor agriculturists even during the bad seasons, and they cannot recover their money in time, and if the debtor becomes an insolvent, the money-lender loses his money. After making all the allowances for risks, etc., the net income would not be more than 6 per cent. I and my friend had an occasion to see their account books. Unless they go in for speculation and earn more, their honest return does not exceed 6 per cent.

7203. Do you think that the farmers have not been much benefited by your Co-operative Movement?—They are not considerably benefited because they do not get money at cheaper rates than 7 to 8 per cent. The expenses have increased, and they cannot make both ends meet. They have become reckless in their expenditure and they should be taught habits of thrift.

7204. *Professor Kale*: In your statement, you say: "The loans in kind, though occasionally very desirable, are only a matter of rarity and may be ignored." Do you refer to loans granted by co-operative societies?—No, there are no such co-operative societies which advance loans in kind in Gujerat although they can buy the necessaries out of their loans. I am comparing the cases of village money-lenders who advance loans in kind.

7205. Do you think that each district or each *taluka* should have a land mortgage bank, or should there be one provincial land mortgage bank? What is your idea of the constitution and working of the land mortgage bank?—I think at present each district should have a land mortgage bank, and we have experimented in three districts. When several district societies have come into existence, they should have one central bank. When the work considerably increases, they may have to be divided into *talukas*.

7206. In reply to one of the questions you have said that agriculture is only a subsidiary industry, and it is not enough to maintain the family of the agricultural population. Do you not think that even in such cases where the income from agriculture

is supplemented by other sources, and some relief is obtained by these people at a low rate of interest from the co-operative societies, that agriculture may not be productive in their case?—No doubt, it will help them a great deal.

7207. Is it your experience in this part of the country that co-operative societies are in most of the cases well managed?—Attempts are being made to look into them from that point of view. On the whole, they have been working well.

7208. We have heard complaints about mismanagement. Do you think the state of things has improved?—It has, and much more after the supervising unions have been started.

7209. Is there any trouble with regard to management of co-operative societies? Are there factions amongst the managing committee members?—There are factions, and people might disagree. They may be taught to do work in a harmonious way.

7210. In your statement, you say: "In the case of landless cultivators, the latter should be required to insure their lives and assign their policies to the society and the sureties should guarantee regular payment of premium". Who are the sureties? Do you think that they will be able to get the sureties as they are landless?—They are employees of other people, and they are helped by their masters. There will not be much difficulty about getting sureties; even now they are getting them.

7211. In the preceding paragraph you say: "In rural societies with a view to protect the sureties and the borrowing members, share-holding should be increased to one-fifth from one-tenth of the loans sanctioned". What is exactly your idea?—In most of the rural societies with unlimited liability, the share-holding is one-tenth, that is to say, a member should take the share of ten rupees for every hundred rupees, and he cannot borrow unless he takes up the share. I want to increase it to twenty rupees, so that the sureties may be protected. It would be very necessary in *bhagdari* and *narvadari* villages, for they would be placing so much of their own capital with the rural societies.

7212. Do you want seeds and other commodities imported by co-operative societies to be exempt from local duties?—Yes, that has been done elsewhere also.

7213. Has it been done in our Presidency?—Not in this Presidency; but I draw the attention of the Committee to the November issue of the Madras Journal of Co-operation, Vol. XXI, No. 8. On page 39 of its supplement it is quoted: "That every Federal land bank and every national farm loan association, including the capital and reserve or surplus therein and the income derived therefrom, shall be exempt from Federal, State, municipal and local taxation, except taxes upon real estate held, purchased, or taken by said bank or association under the provisions of section 11 and section 13 of this Act. First mortgages executed to Federal land banks or joint stock land banks, and farm loan bonds issued under the provisions of this Act, shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal and local taxation". (Section 26 of the United States of America—The Federal Farm Loan Act of 1916.)

7214. I thought this was in operation in the Madras Presidency?—This is in the United States of America. In the United Provinces, something is done in this connection. Rai Bahadur Mathera Prasad Mahotra in the United Province had some correspondence with me, and he informed me that Government have exempted co-operative societies from some local taxation.

7215. As regards postal cash certificates, do you think that they come in the way of getting capital in the rural societies?—In urban areas they compete, because the rate of interest offered is higher than that offered by co-operative societies, and the co-operative banks cannot get deposits. So, Government is competing with the urban co-operative societies, and the money which would have gone into the Movement now goes to Government.

7216. Do you want the Insolvency Act to apply to agriculturists?—Yes, that is essential in a way.

7217. How will you work it?—Suppose a man is very heavily indebted, he should be declared an insolvent, so that he will begin with a clean slate.

7218. But all his lands will go away?—There is a separate chapter in the Dekkhan Agriculturists' Relief Act for protecting agriculturists wherein it is provided that no lands shall be sold.

7219. But if there are no profits?—Then everything will go away, but the land will be his.

7220. Are the insolvency provisions in the Dekkhan Agriculturists' Relief Act on all fours with the Provincial Insolvency Act?—No, the Dekkhan Agriculturists' Relief Act insolvency provisions do not apply to all parts.

7221. Where do they apply?—They apply to some parts of the Deccan; they are not extended to Gujerat.

7222. *Mr. V. L. Mehta*: Do you look upon these new land mortgage societies or banks as still being on an experimental basis, or would you like them to be extended?—Unless the two adjuncts, *viz.*, land owning and joint cultivating societies come into being, it would be risky to begin them in all districts at a time.

7223. You gave some interesting figures about the working of a cattle insurance society. The idea seems to be full of possibilities; then why is the scheme not extended?—The area was extended from three miles to five miles, and recently the society has passed a resolution to extend it to the whole *taluka*. Originally it extended to villages within a radius of three miles.

7224. Is there any other difficulty?—It is very difficult to look after these societies piece-meal. If there is a society for the whole *taluka*, it is better.

7225. With regard to the question of insuring agricultural profits, have you consulted any insurance expert?—I have made enquiries. This idea was instilled in my brain when I found that there are successive failures for three or four years.

7226. *The Chairman*: If there are successive three or four bad years, the rate of premium would be high?—I stand subject to correction.

7227. *Mr. V. L. Mehta*: You have not yourself consulted any insurance expert?—I have not.

7228. You want a separate co-operative credit society for *zemindars*. Do you think this keeping aloof of larger landholders from co-operative societies is a special feature of the Movement in Gujerat?—In other parts also there are societies of the type proposed, for example, in Sind, there is a *zemindars'* society.

7229. We have been told that the small men and the big men generally come to the same society, and they assume equal liability. Why is that not possible in Gujerat?—

Diwan Bahadur A. U. Malji.

The loan limits, in the first instance, do not permit these big landholders to join the societies, and secondly, they would not like to take the burden of the whole village on account of the unlimited liability of the societies.

7230. In your statement you make two suggestions. What is your suggestion about the statutory charge?—Each man will be held responsible with a charge on his holdings for the amount he takes from the society. That is my idea.

7231. Would that be for the whole of his property?—Yes; to the extent of his own borrowings and not the loan of the whole society.

7232. What is your other suggestion?—Some suggestions recently made by the Rangoon Committee on the basis of the English Agricultural Credit Act of 1928 may be considered. There is a provision in the Act that an agriculturist, who borrows money for agricultural purposes and does not repay the money, is liable for imprisonment; and in Rangoon this has been approved, and the Rangoon Committee have agreed to adopt this, so that the agriculturists would not fritter away the prices realised.

7233. Do you think it is possible to have a register of chattel mortgages?—It is only a question of some little trouble. At the time when seeds, etc., are advanced, the societies have to note down the facts that so much seeds are advanced, and they are sowed in a particular survey number.

7234. In whose favour would you register the mortgages?—Only for co-operative societies.

7235. *The Chairman*: Do you know the provisions in the Irish Agricultural Credit Act, under which if a man takes a loan for agricultural purposes and utilises it for other purposes he is liable to be sent to prison?—That is on the same lines as this.

7236. *Professor Kale*: Do you think it would be acceptable in India, if such a drastic measure is advocated?—Perhaps it will not be suitable to this country at present.

7237. *Mr. V. L. Mehta*: With regard to the *bhagdari* tenure in your *taluka*, you suggest that nothing contained in those enactments should affect the dealings between the co-operative societies and their members. Do you think there is anything which can come in the way of this Act going away altogether?—There was an attempt made by the late Mr. Antoldas, who introduced a bill for repeal of the *Bhagdari* Act in the Bombay Legislative Council, but the bill had to be dropped on account of his death.

7238. You had something to do with co-operative societies started for *talukdars'* estates?—There is one in the Panch Mahals.

7239. Are there any serious difficulties?—There were applications from the *talukdars* who pay *udhar jama* (revenue in lump), but their land is not alienable except with the previous consent of the Government.

7240. In your statement, you suggest that there should be some arrangement for providing finance against *kapas* and to sell the members' excess produce. Is there any business of that type transacted in this district?—Yes, there is a lot of business. I have suggested that in non-society area these facilities will be greatly appreciated, if Government helped small producers in the manner indicated in the Egyptian scheme of finance, recently promulgated.

7241. *The Chairman* : One problem we have to consider is the problem of financing trade in *taluka* places. There are already indigenous bankers. How far do you think the problem can be solved by urban banks ?—My own idea is that each *taluka* town must have an urban bank, and there should be separate district banks to finance such urban banks in each district, and at the top the Provincial urban bank.

7242. Do you want agricultural finance to be separated ?—Yes.

7243. Is there room for urban banks in the Broach district ?—Where such banks do not exist, they may be started.

7244. You have three urban banks, one is at Ankleshwar, another at Jambusar and the third is in Broach. I find that in case of the Jambusar bank, out of a working capital of Rs. 1,43,000 nearly Rs. 1,08,000 are lying idle in the bank. What is the reason for that ?—At present the lendings in the villages have been discontinued by money-lenders, as there are no money-lending facilities in Jambusar, and they deposit their spare money with the society.

7245. Do they not finance traders ?—Really speaking, there are no traders who borrow.

7246. Does the trade in Jambusar not require finance ?—There it is mostly managed by gin-owners.

7247. Where do the gin owners borrow from ?—They borrow from the Imperial Bank about two or three lakhs of rupees every day.

7248. Why can the urban banks not do that ?—There are no facilities.

7249. As regards cotton sale societies, I find that there are six societies in this district ?—Yes, but they are only in name.

7250. Why are they not managed well ?—It requires propaganda. The Department of Agriculture should teach the people the benefits of co-operation. We have not a sufficient number of overseers.

(The witness withdrew.)

Rao Saheb PRANVALLABHDAS HARIVALLABHDAS BANATWALA,
Jambusar (District Broach).

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The agriculturist in this district is financed for the purposes mentioned in the question by the *sowcar*, Government and the co-operative societies. It will be convenient to consider the dealings of each class separately.

SOWCAR.—This class plays a very important part in agricultural finance. The *sowcar* finances the agriculturists for all purposes and charges from them 12 to 24 per cent. interest per annum on the advances that he makes. He has not got any particular system of advances. It all depends on the party with whom he has to deal. In one case he may be seen satisfying himself by a mere entry in his book and personal security of the man, while in another case he may go to the length of taking a registered document of ostensible sale of the debtor's property with an oral promise to return the same which he may or may not fulfil. His general idea is to see his own advantage first and the credit convenience to

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the agriculturist next. He carefully marks all the movements of the agriculturist and fails not to take the least advantage of his needs and financial helplessness. He makes the benevolent offer of prompt finance but dictates his own terms for repayment of the loan with an almost usurious rate of interest. The loan that he advances has no fixed period. It can be demanded and its repayment be enforced at any time.

GOVERNMENT.—Government advances the loan as *taccavi* at the rate of about 7 per cent. interest when there is failure of crop, either because of want of rain or any other reason beyond the control of the agriculturists. To those who are the members of the co-operative societies this loan is advanced through the societies on the security of the society unless the society itself wants the same to be advanced direct without its intervention ; while to others, it is advanced directly. There is nothing to be said with regard to the loan that is advanced through the societies, but for the loan that is advanced directly through village officers or on their recommendations there is a general complaint that the full amount does not go into the hands of the agriculturists. The *taccavi* loan that is given at the rate of $6\frac{1}{4}$ per cent. interest under the Land Improvement Loans Act through the co-operative societies has also to pass through so many official channels that it takes a considerable time before the loan actually goes to the person who wants it for any useful purpose. In one case in my district the loan was applied for by a member of the society for constructing a well in May 1927 but the loan was granted to him in June 1928. The construction work that the man had commenced in the hope of getting the loan in the meanwhile collapsed in monsoon as he could not finish the work before the rainy season. The man had to ask for further advance as the loan proved inadequate on account of the damage caused. This application was made in March and the loan is sanctioned only a few days back.

CO-OPERATIVE SOCIETIES.—The greater number of these institutions came into existence during last fifteen years in this district. Their present method of financing is all that may be desired. The normal credit and forecast statements, if properly prepared, make the way for prompt finance smoother. Besides advancing the loan for the current agricultural needs, the society also gives loans for payment of land revenue, redemption of old debts, maintenance, purchase of bullocks, implements of husbandry and for capital and permanent improvements, etc.

The lending rate of interest that the society charges is from $9\frac{3}{8}$ to $10\frac{1}{16}$ per cent. per annum. The higher rate of $10\frac{1}{16}$ per cent. was fixed only in the bye-laws of a few societies which were registered at the time of the stringency in the money market. This bye-law is also being amended and in a short time there will be a standard rate of $9\frac{3}{8}$ per cent. in all rural societies. The society generally advances on personal security with two good sureties. It has not got different rules for lending to different individuals. There is no secrecy in its transaction, and the loan is advanced after the necessary inquiry is made in conformity with the rules and the bye-laws. Even for current agricultural expenses the amount is made payable in the next harvest, and for redemption of old debt and for capital and permanent improvements on the security of immoveable property the loan is made repayable by instalments from two to five years.

The part that Government plays in agricultural finance is shown above. The Imperial Bank and the joint stock banks do not directly finance the agriculturists. We have not got any joint stock bank here. The Imperial Bank is financing the big merchants and gin-owners against substantial securities like Government promissory notes, gold ornaments, etc., for facilitating the finance to the traders. It has special rates of interest for the season, but at its end it calls forth its constituents to repay the loan. The operations

of the Imperial Bank were confined to cities, but they are extending their operations in *taluka* towns also. The Imperial Bank and joint stock banks are also discounting the *hundis* and accepting the bills of their constituents. The financing is also pre-arranged and contracts to that effect are made previously. They grant loans against mortgage of godowns. The rate of interest is not one and the same for all parties.

THE INDIGENOUS BANKER.—He finances also the ordinary traders in the season. He fixes the credit of his constituents. The account is going on a *khata*, and no promissory note or signature is taken. He pays the *hundis* drawn by the constituents and also discounts and collects the same presented by them. These bankers are generally not in a position to give all the required facilities as often they find themselves short of funds. They do not lend generally against railway receipts or mortgage of godowns. Their lending is personal; the rate of interest varies with parties and seasons.

THE VILLAGE MONEY LENDER.—The general idea of his dealings is given above. He finances the agriculturist during the whole year. For these advances he charges a very high rate of interest and recovers his money as soon as the crop is ready mostly by the sale of the crop to himself. He being the man on the spot is in an advantageous position to first claim the crop. He not unusually gets his dues before the Government and the co-operative societies are paid.

In some cases the agriculturists sell their cotton to these persons at an unusual time long before the crop is ready at a very low price on condition to deliver a certain quantity of cotton when it is ready, to meet their current needs. This is called "*jarap*" transaction on this side. The agriculturists in disposing of their crop in this manner do not get even half the market price and greater profit goes into the hands of the money-lenders.

CO-OPERATIVE BANKS.—The co-operative central banks generally finance the co-operative rural societies and they in turn advance to their members. The Broach District Bank used to advance at the rate of $7\frac{1}{2}$ per cent. interest, but it has reduced its lending rate now to 7 per cent. This bank advances loan after carefully considering the recommendations of the supervising unions whose duty again is to scrutinise the loan applications of member societies before the same are recommended to the bank. It advances for various agricultural and social purposes and also debt redemption and other capitalistic work. It has no scheme for debt redemption, but it has advanced to member societies some money for this purpose. Its advances, however, on this head are not appreciably large.

It is difficult to give an estimate of the total amount of the capital required for this district for financing the agriculturist. There is also no information available as to finance in kind. The Broach Bank did advance to some of the societies in kind at times, when the latter desired to do so, but its work in this direction is also confined to a very limited extent.

From the details of the working of the various agencies for financing the agriculturists given above, it will appear that the system of *taccavi* advance needs to be simplified and red-tapism avoided if the loan were to be made available to the agriculturists at the right time; that the system of the *sowcars* or village money-lenders whose main operations are among the agriculturists, need a radical change. Their methods being absolutely irregular and often usurious, their dealings with the agriculturists need to be systematised by the legislature. It is also desirable, nay it is absolutely necessary, to

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educate public opinion in favour of the Co-operative Movement. The rural population need to be trained in co-operative ideas and principles. Unless these principles are thoroughly understood and followed and co-operative credit societies are organised all over the rural area, there will be no improvement in the present agricultural condition of the people. It is the only good and effective medicine to root out the evil of indebtedness and improvidence.

As to the co-ordination of the various financing agencies, it appears that there is some co-ordination between Government and the co-operative societies for the purpose of agricultural finance and there can be a complete co-ordination between these two institutions, but there is no co-ordination between other institutions for the purpose. Such co-ordination is also not possible as their interest is liable to clash in so doing.

QUESTION 7.—The relationship of the indigenous bankers with co-operative banks is cordial, but the same with the Imperial Bank of India is not what it ought to be. There is no competition between the co-operative banks and joint stock banks as the latter do not exist in this district, but the Imperial Bank considers the co-operative bank as an eyesore to it. It fails not to harass or trouble the co-operative banks even for matters more or less of trifling nature, if an occasion arises. Very recently the Imperial Bank refused an overdraft to the Broach Co-operative Bank, Limited, against gilt-edged securities on the flimsy ground that the credit given to it last year was only partially availed of. Another instance of its indifference towards the co-operative bank may also be cited. There is only ten minutes' distance between the Broach Co-operative Bank and the Broach branch of the Imperial Bank and yet it proposes to charge $\frac{1}{4}$ per cent. commission on cheques drawn on the Broach Co-operative Bank and presented to it for collection, though at other places the branches of the very same bank do not charge any commission for encashing such cheques of other co-operative and private concerns. It expects Broach customers and co-operative bank to do what banks are particularly meant to avoid and guard against, *viz.*, transference of hard cash and insufficiency as to the provisions for fluid resources. The Imperial Bank is after all a shareholders' concern having non-Indians as most of its directors and high officers, and it may think of making a good earning for itself, but it should also materially help in the general development of the country's trade and finance through the co-operative societies when it has the privilege of freely using the Government money in abundance, without payment of any interest.

There are some difficulties in the matter of co-operative finance on account of the existence of the *Bhagdari* and *Talukdari* Acts. The subject of abolishing these Acts will be treated at its proper place. It is sufficient to mention here that these tenures come in the way of developing the movement at places where the lands are held on *bhagdari* and *talukdari* tenures. It would be quite unsafe for the bank or any credit society to undertake any special scheme requiring finance for the good of the agriculturists of these places.

There is no difficulty in granting short-term loans to co-operative societies for the current needs of the agriculturists; but long-term loans cannot be given as the societies do not get long-term deposits. Even the Central Bank cannot afford to make long-term advances to societies as it does not get deposits for a period of five or ten years. It may, however, utilise the amount of its share capital and reserve fund in long-term loans. This would not, however, be sufficient to meet with all the requirements of long-term credit and a special bank like a land mortgage bank is the only institution which can successfully meet the question of long-term credit.

As to short-term loans, if the amount is repaid from the next year's crop as agreed upon and expected, there is not much difficulty; but, if for any reason the liability is not discharged, the question of further finance becomes a problem. The society has then to consider the question of further credit to the member bearing in mind his land and capacity to repay. The loan having not been returned, the faith of the society in the man is much shaken and a further advance to him is made with caution. It also appears that short-term loans are often not used for the purpose for which they are meant and taken. It has been found that the loans taken for current agricultural needs are used for payment to *sowcars* or for redemption of old debts and also for marriage and other unproductive purposes. In such cases it is impossible to expect even the repayment of the loan in the season.

The matter of short-term credit is thus wrongly mixed up with long-term credit and its very object is frustrated. The bank has sufficient funds to advance to societies on short-term credit and the societies can advance the loan thus obtained to their members in turn and meet with their current needs fully. It does not require any extra capital for this purpose. On the contrary it rather desires the organisation of more credit societies to utilise its surplus funds. If it were to be said that the finance on short-term credit is insufficient the blame must go to the members themselves. They do not follow proper co-operative methods and take the co-operative credit society as an additional *sowcar* and yet wrongly disrepute the Movement.

Besides the Broach Co-operative Bank, there are in this district three urban banks at Jambusar, Ankleshwar and Broach. The operations of these banks are mainly confined to the places where they are situated. They help a good deal in developing the local business. They open current and savings accounts and also do *hundi* business. Their advances are to individuals who are the members of the bank up to the limit fixed in the bye-laws on the security of two good sureties or property for various purposes. The small trader does take the advantage of these banks, but it cannot be said that all such persons are members of these banks and that the banks finance all of them.

I have not got much experience of Ankleshwar and Broach banks but in Jambusar we have no industry to finance. The greater number of small traders, however, do borrow from the Jambusar Peoples' Bank. It is difficult to give an estimate as to how much money these traders need for their trade and it is equally difficult to say whether they are fully financed by banks. These small traders have also other *sowcars* and they go to them often. All the urban banks, so far I understand, have large surplus balances and they can, at any rate, meet the needs of the small trader if they were to confine their dealings strictly and honestly with urban banks only on purely co-operative lines.

The co-operative institutions have to stand in competition with other financing agencies and for their development it is necessary that special concessions be given to them. The privileges and concessions enjoyed by them are published by the Registrar in leaflet "O" and they need not be reiterated here. It will suffice to say that these privileges must continue and over and above, the following further privileges and concessions be conferred on them :—

1. Income of the co-operative societies must be exempted from super-tax.
2. Income-tax on Government securities should not be charged at all, otherwise the whole of the income-tax deducted at source be refunded and not only a part of it according to the profits of the societies as is presently done,

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3. The limits placed on the issue of remittance transfer receipts at par to co-operative banks be done away with.

4. Co-operative banks and its branches should be given the sub-treasury work in selected areas.

5. The facilities given to co-operative societies in respect of demand drafts and remittance transfer receipts on Government account at par should continue.

6. The facility from the Imperial Bank of India re encashment of cheques up to Rs. 5,000 per day at par as per Registrar's Circular No. C. N. F. 32 dated 21st May 1923 be allowed to continue.

6A. The *bhagdari* and *talukdari* Acts be amended by adding a section to the effect that nothing contained in those Acts shall apply to any transaction with co-operative societies.

7. A special officer for the execution of awards and liquidator's orders should be appointed for each district for the prompt execution of these orders.

8. Notification exempting co-operative societies from the payment of Court Fees under section 33 of the Act should be issued at an early date.

QUESTIONS 4 AND 8.—In this district there are many agriculturists who are holding lands on *bhagdari* and *talukdari* tenures. The proprietors of the latter sort of tenure are generally *talukdars*. There are special legislations for these tenures and the alienations and transfers of these lands are governed by the provisions of the Acts popularly known as the *Bhagdari* and *Talukdari* Acts.

Under the *bhagdari* system the whole *bhag* or recognised *peta bhag* stands in the name of one or more individuals and there are number of *peta bhagdars* or sharers in the same *bhag* or *peta bhag*. These persons are called unrecognised *peta bhagdars*. The persons holding the unrecognised portions of *bhag* land are in need of money just as the other agriculturists, but they being unrecognised *bhagdars* or *peta bhagdars* are prohibited from alienating their land to any one outside the *bhag* under section 3 of the Bombay Act V of 1865 (*Bhagdari* and *Narvadari* Act). The *bhagdars* or recognised *peta bhagdars* themselves too are not in a better position. Generally they have also many *peta bhagdars* or sharers in their *bhag* and these persons being in possession of their shares of the *bhag* land, the principal *bhagdars* cannot alienate or transfer their portions of *bhag* land, as these portions would also be unrecognised portions of the *bhag*. In fact they are *bhagdars* or *peta bhagdars* in name when they have co-sharers with them.

The Act recognises the alienation to persons within the *bhag*, but these persons being the agriculturists themselves are hardly in a position to render any substantial mutual financial help. All of them have, therefore, to approach an outsider for finance and the outsider is not expected to give them any credit facility if he has no security for his money on account of the existing legal impediment.

The difficulty of *talukdar* agriculturists holding *talukdari* lands is even greater. They have to take the previous sanction of the *Talukdari* Settlement Officer or any officer appointed by the Governor in Council for the purpose, for any incumbrance which is to be created beyond the *talukdar's* life under section 31 of the Gujerat *Talukdars'* Act (Bombay Act VI of 1888). Under the latter part of the same section he has to take the previous sanction of the Governor in Council if he has to make any alienation. This procedure indeed takes a lot of time. These persons need prompt finance, and if they have to wait for it on the good graces of these officers, what is their position with regard

to the property of which they call themselves the proprietors? How is their credit to be built or secured when as a matter of fact that credit is legislatively dependent on the "aye" or "nay" of the officers concerned.

A question might naturally arise that these Acts are in force for the last many years and if they came in the way of their credit facility, how did they manage their affairs till now and how did they obtain the required finance? The answer is simple. Despite the provisions of the Act prohibiting the transfer, people did enter into these transactions and even the Government connived at them. It is only when the matter comes to the court that the hollowness of these transfers are exposed. Section 3 of the *Bhagdari* Act distinctly prohibits the alienation of a portion of a *bhag* outside that *bhag* and yet the Bombay Government G. R. No. 5671-144 Confl., dated 17th June 1913, gives the Collector instructions to the effect that if the alienations were to be made to a person belonging to a *bhagdari* family of the village, they need not interfere with any such transactions. In fact Government recognising the position of the agriculturists, allowed the transfers to a person outside the *bhag* if he belonged to any *bhagdari* family of the village. The same resolution further tacitly suggests the recognition of the transfers of the unrecognised portions of the *bhag* on the ground that if the bargain is a fair one the alienor should not be allowed to get out of it, at least until the alienee has had the usufruct of the land long enough to permit of his having got a fair return for his money.

The private transfers of the *talukdari* property without the required sanction are not uncommon. The revenue authorities do know of them as they are recorded either in the Records of Rights or in the Settlement Register and yet nobody takes serious notice of them possibly realising that their interference would come in the way of the necessary finance which these agriculturists really need. In these days of progressive movement, does it stand to reason that these prohibitive provisions of law, which are conveniently ignored and tacitly overlooked, be allowed to remain on the Statute Book when public institutions like co-operative societies and land mortgage banks are to be organised and developed for ameliorating the condition of the agriculturists?

The Dekkhan Agriculturists' Relief Act has certainly affected the credit facilities of agriculturists greatly. Since its applicability in Gujerat the old money-lender class has gradually died out and a different type of class has cropped up. Having understood the working of the Act, he, in his present day fresh dealings, adopts more usurious and extraordinary methods in lending. He generally keeps it in mind that he has not to go to court for the realisation of his dues. He stays at the village and by gradually advancing the loan obtains the confidence of the agriculturist and brings him under his control. He, side by side, prepares himself to meet him if he is compelled to go to a court of law. In the dealings of such *sowcars*, we always find that they take bonds for a greater amount than what they actually advance. They consider it their privilege to deduct the interest of the first year from the cash advance they make. If they finance the person in kind instead of cash, they put down a very heavy price for the articles supplied to him. They take documents of sale instead of mortgage as security for their money. They take a nominal lease in the name of another man for that property and get it recorded in the Record of Rights to give colour to the transaction, though in fact the debtor remains in physical possession of the property and pays the rent or interest directly or through the nominal tenant of the land. This will give an idea as to how his credit stands with his *sowcars* and what facility he enjoys.

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Among the legal procedure that affects credit facility prominently, is the inordinate delay that takes place in the execution proceedings. As remarked by a very eminent High Court Judge some time ago "the real difficulty of the litigant begins after the decree is obtained." In one case which I have on hand as a pleader the execution proceeding is going on for the last fifteen years and yet no tangible result is arrived at. I may be excused for mentioning that despite the facilities afforded to the co-operative societies for executing their awards through the Collector, under Land Revenue Code, there has not been any appreciable improvement in this matter. There are awards and liquidator's orders pending execution before the Collector for the last four or five years. The execution work yet further needs to be simplified and attempts be made to expedite the same if the credit facilities were to be improved.

Another is the procedure that allows the judgment-debtor to take the plea of "agriculturist" even after the decree is obtained against him as a non-agriculturist. This plea is often put forward by the judgment-debtor with a view to take advantage of the provisions of the Dekkhan Agriculturists' Relief Act and he gets the same without any difficulty. He thus succeeds in defrauding or delaying his creditor. If the Act were to be used as an instrument of fraud by such persons the effect of its working on the credit facilities is bound to be great. If a creditor were to be successfully baffled in the recovery of his dues in addition to the tardy execution procedure by such successful pleas and if his money were to be at stake even after the decree is obtained who would think of advancing any loan even to persons who are non-agriculturists?

It is high time now to modify the provisions of the Dekkhan Agriculturists' Relief Act. They should be made applicable only to a class of people who are *bona fide* agriculturists; persons of non-agricultural class professing to be agriculturists should be excluded from its operations; and the judgment-creditor be secured against any further subsequent insecurity of his money after the decree.

The Usurious Loans Act came in force for the first time in the year 1918. The provisions of the Act applied to all persons whether they were agriculturists or not, in a suit by the creditor for the recovery of the dues. They, however, did not apply if the debtor filed the suit against the creditor. This defect is, however, partially removed in 1926 by the amendment of section 3 which made the provisions applicable to suits for redemption by the debtor. Further amendment in the Act is also made by altering the period of 6 to 12 years for which the accounts can be reopened. Though the provisions of the Usurious Loans Act were intended to give relief to all classes of people, the Dekkhan Agriculturists' Relief Act being more elastic and comprehensive, it was often availed of by the agriculturist in preference to the Usurious Loans Act. Another reason is that very few persons in the *mofussil* know the existence of such a special enactment for the benefit of non-agriculturist debtors also. This will show as to why the Act is not so much availed of in this district. The Act needs greater publicity and its provisions need further to be extended to all suits for account by the debtor whether the debt is secured or unsecured.

The provisions of the English Money-lenders' Act or the proposed Money-lenders' Bill for the Punjab are not known to me and I therefore refrain from expressing any opinion on these legislative measures.

Oral Evidence.

7251. *The Chairman*: Rao Saheb Banatwalla, you are the District Honorary Organizer, Co-operative Societies, Jambusar?—Yes, for Jambusar and Amod *talukas*.

7252. Since how long have you been an honorary organizer?—For the last fifteen years.

7253. What is your opinion about the development of the Co-operative Movement in these *talukas* during the last fifteen years?—Societies have been organised since the last fifteen years in these *talukas*, and ordinarily they have been financing members so far as their current agricultural needs are concerned, and there is no complaint in ordinary good years about the repayment.

7254. Are the members adequately financed?—So far as their current needs for agriculture are concerned, they are adequately financed, but the question becomes difficult if they do not make proper repayments when the season is bad.

7255. Do you make provision for extending the period of repayment, when the season is bad?—We have been doing that, but if there are two or three consecutive bad seasons, the difficulty arises.

7256. Does that difficulty arise very often?—So far as my experience goes, till 1925 the whole thing was going on very well, but after 1925 there was generally one bad year at the interval of two or three years, and even these two or three years were not good years.

7257. Do the members go to *sowcars*?—They have to go, when the societies do not pay them.

7258. If they go to *sowcars* does not the possibility of societies recovering their dues become less?—What they actually do is that they try to please both *sowcars* and societies. They pay the *sowcar* as well as the society. They pay the society and get another loan, and they pay the interest to the *sowcar*. Unless the society is able to take the position of the *sowcar*, they will have to please both.

7259. What happens if 60 per cent. of the members are good and 40 per cent. are not good?—We have been paying to good members regularly.

7260. Do you give long-term loans in your societies?—We advance long-term loans if we have five-year deposits. We advance loans on instalments of three to five years.

7261. Is that period sufficient?—It is not sufficient, but we cannot help it.

7262. Is the borrower able to repay his instalments?—I have seen that they are not in a position to repay, and therefore, a land mortgage bank was all the more necessary. I have seen many cases in which only one instalment was paid and the other two or three instalments remained unpaid, because the instalments were put down without considering the repaying capacity of the borrower.

7263. Is it not wrong?—That was wrong when they did it.

7264. In answer to question 1, you have given the different sources from which the cultivator borrows money, and you have put down *sowcars* and village money-lenders separately. Are they not the same?—Yes, they are the same.

7265. Do you not approve of the *taccavi* system?—No, because of the delay.

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7266. In how many cases has *taccavi* been advanced to members of your societies?—I know of only one case in which *taccavi* was given under the Land Improvement Loans Act, to which I have referred in my note that there was much delay.

7267. Do you know any other cases besides this?—I do not know.

7268. Speaking about the co-operative societies, you say in your statement : “ Their present method of financing is all that may be desired.”—We have been preparing the normal credit statements, but the difficulty is that it is not prepared properly.

7269. Is the system followed properly?—It is followed properly in societies where we have good literate secretaries.

7270. Do you advance loans only for agricultural purposes?—We have been giving money for marriage and other ceremonial purposes besides agricultural purposes.

7271. You say : “ The operations of the Imperial Bank were confined to cities, but they are extending their operations in *taluka* towns also.” Do you mean, the Bank finances in Jambusar?—Yes, the Bank finances gin-owners and indigenous bankers in Jambusar.

7272. On what security?—On personal security with two sureties.

7273. Do you know whether they are advancing to small people on the security of gold ornaments?—They are not advancing to small people.

7274. Have you godowns or warehouses in Jambusar?—No.

7275. Do you think it would be desirable to have them?—It would be desirable.

7276. Who would take advantage of them?—Agriculturists might take advantage of them by keeping their cotton and getting advances against it.

7277. Is the urban bank in a position to do that?—The urban bank cannot; under the present bye-law the urban bank can advance to big traders up to Rs. 3,000. We want to advance on the security of goods.

7278. Up to what extent?—Up to 60 per cent. of the value of the crop or the commodity.

7279. Is there much of “ *jarap* ” business going on in Jambusar?—Yes.

7280. Does the agriculturist lose much that way?—The agriculturist does not get even half the price. The agriculturist is in need of money and he borrows from the *sowcar*, and he has to repay at the harvest time. He sells his cotton to the *sowcar* at Rs. 5 a *dhadi*, which would amount to Rs. 100 a *bhar*, whereas the same crop would bring him Rs. 200.

7281. Is that practice dying out now?—It still exists; we had the other day a case in the court.

7282. You say : “ The system of *sowcars* or village money-lenders, whose main operations are among the agriculturists, needs a radical change ”. What change would you suggest?—In my opinion the rate of interest should be fixed, and the *sowcars* should be licensed or registered, and their accounts should be open to inspection and audit. If some such changes were made, I think, there would be much difference in their dealings.

7283. What has been your experience of the Dekkhan Agriculturists' Relief Act?—The Dekkhan Agriculturists' Relief Act does not make any provision for keeping accounts. When the creditor comes to the court, he says that the account has not been kept, though

in practice he keeps the account. The court, therefore, decides on the oral evidence of the creditor and his witnesses. The whole system must be regularised.

7284. Is it the practice for the *sowcar* to take a bond for twice the amount?—There is no fixed system, but they take the bond for some more amount than what is actually advanced.

7285. In your statement, you refer to the relations of the Imperial Bank with the district central co-operative bank. Why have their relations been strained?—I do not know why, but I know that the relations have been strained. They are now making the customers pay commission for cashing cheques drawn on the Broach Central Co-operative Bank.

7286. What is the practice they are following in Surat?—In Surat they are not charging any commission.

7287. Has the district bank been doing much of *hundi* business?—It does.

7288. Is there any trouble about remitting money through the treasury?—No.

7289. Are you in favour of the abolition of the *bhagdari* tenure altogether?—I think, it would be better if it is so done, but, I am afraid, they would oppose my suggestion.

7290. Do you think there would be any opposition in the Broach district?—No.

7291. You say that the urban banks help a good deal in developing the local business. Do they finance small traders?—They do finance, but the limit is small.

7292. Can you not increase the limit?—I have got the bye-law amended and increased the limit to Rs. 3,000.

7293. In your statement, you say: "There are awards and liquidators' orders pending execution before the Collector for the last four or five years". What is the main reason for the delay in executing these decrees?—The thing is, when the matter is sent to the Collector, the revenue officers under him do not pay particular attention to the recovery work at the time of the harvest season.

7294. Do you think it would be better if this work is transferred to the Co-operative Department?—I think it would be better if a special officer is appointed.

7295. Would the special officer be under the Co-operative Department?—It does not matter much whether he is the Officer of the Co-operative or Revenue Department, but he would do the special work.

7296. *Professor Kale*: You say in your statement that co-operative institutions have to stand in competition with other financing agencies. Which are these financing agencies?—The Imperial Bank and the joint stock banks.

7297. Have they been competing with co-operative societies?—Yes.

7298. Are you referring only to the Imperial Bank?—Yes.

7299. You ask for certain special concessions with the idea that you may be able to do co-operative finance on more solid basis and consequently at a low rate of interest; and one of the concessions you ask for is that income-tax on Government securities should not be charged at all. But under section 33 of the Act interest on Government securities is exempted from income-tax. Is it not?—It is; but no such notification is yet issued. This is an additional concession we ask for.

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7300. You said that there is some co-ordination between Government and co-operative societies for the purpose of agricultural finance. Are you referring to *taccavi*?—Yes, *taccavi* is advanced through co-operative societies; and if Government want to advance it directly, they take our permission.

7301. Is it given on a large scale in your district? How much is given?—I have no figures. There are several villages where there are no co-operative societies, where *taccavi* is given directly. But I know that *taccavi* is distributed through co-operative societies in my *taluka* where there are societies.

7302. *Mr. V. L. Mehta*: About the overdraft or cash credit with the Imperial Bank, you say that the arrangements have been refused by the Imperial Bank to the Broach Co-operative Bank on the ground that the credit given to it last year was only partially availed of. Is there any other ground, or is that the only ground?—That is the only ground.

7303. You do not think that it is a sound enough argument?—No. I have given my reasons for it. We are expecting all sorts of help from Government and when the Imperial Bank is so far using the agriculturists' money in crores without interest, we can ask such assistance from them.

7304. Besides this system of normal credit and maximum credit statements, would you suggest any other change or any other method to be adopted?—We are adopting these two statements prepared by the Provincial Bank with a little modification.

7305. You prefer the repeal of the *Bhagdari* Act and failing that an amendment to it?—Yes.

7306. Will there not be any difficulty from the administrative point of view in repealing either of these two Acts?—I do not think so.

7307. Will there be no difficulty even from the legal point of view?—There will be some difficulty in abolishing a *bhag*. Perhaps the consent of the *bhagdars* will be necessary.

7308. For the other method will it not be necessary?—No, because the whole thing is allowed to be kept intact. You are only excluding particular institutions from its effect, and therefore, there should be an amendment or there must be a section in the Co-operative Act.

7309. Can this not be done by any administrative action?—No.

7310. *Mr. Desai*: In your written evidence you say: "His general idea is to see his own advantage first and the credit convenience to the agriculturist next. He carefully marks all the movements of the agriculturist and fails not to take the least advantage of his needs and financial helplessness. He makes the benevolent offer of prompt finance but dictates his own terms for repayment of the loan with an almost usurious rate of interest". I want to know your views as regards the help given by the Imperial Bank to agriculturists in comparison with the *soucars*?—The *soucar's* position is entirely different. His general idea is to see to his personal interest first and to look to the interest of the agriculturist next.

7311. Is this not the same ideal with the Imperial Bank?—That is what we have been stating to the Committee that so far as the Imperial Bank is concerned, as they have lots of money of agriculturists and are freely using them, they might give us some concession for the running of our banks.

7312. You say: "The Imperial Bank is financing the big merchants and gin-owners against substantial securities like Government promissory notes, etc." Is it not amounting to accommodating Government itself by giving accommodation on the promissory notes?—I do not think so. It is accommodating the traders and it is not accommodating the Government.

7313. Do you not think that if this facility will be stopped, no one will be ready to buy the Government promissory notes?—This is a far fetched idea. So far as I understand the whole position of the Imperial Bank, it does give loans against these Government promissory notes. Even a co-operative bank or a joint stock bank can advance money against these notes.

7314. But I am speaking about the Imperial Bank because it is the State Bank, and therefore, I want to know your views whether giving accommodation on Government promissory notes does not amount to accommodating Government itself?—I am not prepared to accept this latter proposition.

7315. You say: "In some cases the agriculturists sell their cotton to these persons at an unusual time long before the crop is ready at a very low price on condition to deliver a certain quantity of cotton when it is ready to meet their current needs". I want you to give me some illustration?—In the month of *Kartak* some agriculturists require money and they go to *sowcars*. The *sowcars* tell them "unless you sell your cotton to us just now at the rate of Rs. 5 per *dhadi* we cannot advance any loan to you." Naturally the agriculturists sell it actually to the traders or to the village money-lenders; and in the season they, as non-agriculturists, sell that cotton to traders and realise the best price.

7316. Are not your societies satisfying their needs?—I am not talking of those who are members of co-operative societies.

7317. You say. "The Imperial Bank is after all a shareholders' concern having non-Indians as most of its directors and high officers and it may think of making a good earning for itself, but it should also materially help in the general development of the country's trade and finance through the co-operative societies when they have got the privilege of freely using the Government money in abundance without payment of any interest." What are your suggestions?—In the previous paragraph I have stated the difficulties with which we are beset on account of their refusing to give an overdraft and charging commission on cheques. As an answer to this paragraph I have said that the Imperial Bank are using Government money free of interest, and therefore, they must also give us some concessions.

7318. What kind of constitution do you want?—I am not suggesting any constitution.

7319. I want to know your views regarding the future constitution of the Imperial Bank?—I am not prepared to answer this question. It is not my study and I cannot tell you anything about it.

7320. I want to know from you what remunerations have been received by the honorary workers in the societies other than the agriculturists?—I do not think that anybody is getting anything except some managing directors of certain urban banks.

7321. *The Chairman* : About the overdraft proposed from the Imperial Bank I find that the Imperial Bank has already given you an overdraft of Rs. 1,30,000 ?—It was given to us last year, and we have drawn Rs. 51,000.

7322. Still you want a further advance overdraft of Rs. 65,000 ?—Yes, for fluid resources.

7323. You had a margin of nearly Rs. 75,000 ?—Yet we want it. The Imperial Bank must co-operate and share to a certain extent the difficulties of the co-operative bank. It may be that during the last year I was not in a position to utilize it, but this year I may be in a position to utilize it.

7324. But still if you do not use one half of what you have been given, to ask for more again would not be desirable ?—This year we feel that perhaps we will require greater fluid resources.

7325. I think there is something in their argument that they cannot provide all the fluid resources you require ?—Is it an argument that at all time all their overdrafts should be utilized ? They ought to have given us a second opportunity of seeing what we are doing this year and then the whole question would have been thrashed out.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Saturday, the 23rd November 1929.

Saturday, November 23rd, 1929.

BROACH.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. H. V. DESAI.

Professor V. G. KALE.

Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Sardar Bhasaheb RAISINHJI, M.L.C., Thakor of Kerwada.

Replies to the Questionnaire.

QUESTION 1.—(a) Under the present circumstances to a certain extent co-operative societies finance the agriculturists and in their absence the local money-lender and private landlords lend money for necessary expenses and maintenance of agriculturists during cultivation.

(b) Although there is much room for improvement and development of agriculture as one of the leading industries, at present there is very little outlay for that in this district.

(c) In the event of failure of monsoon, the agriculturists have to fall back upon the State aid, e.g., *taccavi* loans and other relief works. They have no sustaining power to withstand a single lean year.

INTEREST.—It varies very much as it is dependent on the condition and class of people and locality. It may be from 15 to 20 per cent.

GOVERNMENT IMPERIAL BANK.—Imperial Bank's activities in this direction are not extended to the agriculturist as a class with exceptions of a few big landlords. It is not yet popular with the agriculturist.

JOINT STOCK BANKS.—*Nil*.

QUESTION 2.—PROFESSIONAL MONEY-LENDERS.—In view of the rail service and feeder roads, I think there is every prospect of successfully forming pools and organizations of co-operative efforts for placing before the market agricultural products. My experience of the district shows that the agriculturist has to sell his produce, at heavy loss, to the local broker or middleman—in absence of such organizations—or he is forced to go, at a heavy loss again, to the district headquarters which is the only marketing place in the district.

As for the licensed warehouse, I am in favour of it, but Government assistance would be essential in the beginning and for some years.

QUESTION 3.—The value of land varies in different parts of districts. This is essentially a cotton growing district with exceptions district tract running parallel to the sea coast and the extreme north part of the district. Price per acre in the *bara* tract would be about Rs. 50 and black soil would go to Rs. 500.

Sardar Bhasaheb Raisinhji.

QUESTION 4.—Yes. (1) The *Bhagdari* and *Narvadari* Acts which are the predominating tenures in this district require to be modified in their relation to the dealing with the land mortgage bank. Section F. 31 of the *Talukdari* Act requires to be modified, but so far as these *talukdari* estates are concerned a special provision is to be made to provide safeguards against the land being disintegrated and passing away into the hands of non-*talukdars*. So if facilities are given to borrow money *inter se* it would not be necessary to make any alternations in the existing law, as suggested by Mr. Robertson, late of the Bombay I.C.S.

(a) The present policy and rules regulating the dealings of the land mortgage bank will not only fail in their aims but it would not be attractive, because it involves publicity of the assets of the borrower which is so objectionable to any businessman or landlord and so the margin of 50 per cent. is really a great drawback. In this connection I would suggest two kinds of land mortgage institutions or banks:— (1) One for large landlords for long credit, practically in the line suggested by Sir Nicholson, late of the Madras Civil Service, who made study of the subject in Madras and borrowed his ideas largely from most advanced countries like Germany, France Italy, etc. (2) Second kind of the land mortgage institutions of the similar type more in number—to supply the need of small agriculturists.

I should, however, like to deal with the most important factor which would not only simplify the work and dealings with agriculturist but would certainly do away with the 50 per cent. margin. The land bank will require at its initiation many safeguards and financial aid of Government and I would repeatedly but emphatically suggest to effect much greater improvement in the Record of Rights and Settlement Register in case of *talukdari* lands.

As in some advanced countries, all wanting to raise a loan against the securities of their lands, not only should produce an extract from the Record of Rights or Settlement Register, but should also submit a statement on oath as to the validity of the document. The question is of very great importance to the successful working of the bank. It is important that for the sake of sentiment we cannot enforce business morality. I am strong on this point, and I believe that, if such rules are adopted by legislation as it is done in the case of income-tax forms when being filled up, the whole machinery will work smoothly and efficiently.

(b) (c) Yes.

Working capital of the proposed mortgage bank from deposit. (b) Fund from the central bank and debentures.

Yes. Government guarantee absolutely necessary.

The above precautions regarding the bringing up of the Record of Rights and Settlement Registers coupled with introduction of correct abstract from Record of Rights with the form signed on affirmation or a certificate from the village *panchayat* after verification would be sufficient safeguard against a bogus demand. For instance, societies known as *nidhis* in the Madras Presidency are successful and prosperous just in so far as they deal with purely local clients. The invariable answer as to the security of loans is the credit of the borrower and directors knowing and trusting them. Proximity involving knowledge of local conditions and borrower is a great asset and credit.

In concluding my remarks about land bank, I would suggest that the subject of co-operative credit society has the bearing on the same subject so close that you cannot touch one without touching the other, but care should be taken that their activities do not overlap each other.

There is lot of room for improvement in the Co-operative Movement the working of which has not proved very successful in some districts. The Royal Commission after very exhaustive inquiry into the working, defects and advantages of the Co-operative Movement in this country advocates in its report, paragraph 382, page 463, that as there is already a provision in the existing Co-operative Act for the land mortgage credit, land banks should be organized under these acts, and in the subsequent paragraph the report refers to the Government assistance in the earlier stages. It also suggests methods for raising loans by floatation of debentures (*vide* section 20 of the Indian Trust Act, 1882).

Dealing with the Co-operative Movement, I am firmly of opinion based on the facts that have come to my notice, that the Co-operative Movement with its original aim and object would have done immense good and solved financial problem of the agriculturists if it was not retarded in the progress by defective working by irresponsible persons in some cases. The agency of non-official workers did include in its fold sense, hard-working, honest and zealous persons of great abilities and their work cannot be under-estimated, but in some cases their work is eclipsed by reckless investments, irrecoverable dues leading the society into liquidation. Many have gone into liquidation and it proves my statement.

Guarantee would enable the land bank to issue debentures.

QUESTION 7.—The Dekkhan Agriculturists' Relief Act, though failed in some aspects, and though cases may be traced in which attempt may have been made, successfully or otherwise, to circumvent its provisions, has been of interest. I would not modify it now.

INDIGENOUS BANKING.—I am in favour of Money-lenders' Bill; so far as the industry is concerned it is essential to restore the credit of the agriculturist, for the money would be necessary both for intensive or extensive agriculturist. Facilities provided by the Government for financing the agriculturist must necessarily be a slow moving machinery and it is only up to the local money-lending institutions, and agriculturist must look for his immediate and off and on requirements.

I have nothing to say further on this subject.

SECTION III.

Due to prevailing illiteracy amongst the masses the idea of investment beyond that in ornaments or land is foreign to them and consequently the effect of the influence of co-operative societies, bank or insurance companies is nil.

QUESTION 2.—Postal cash certificates are not very popular, but if they are to bear sufficient interest, they may attract small investments.

QUESTION 3.—It may be easier to obtain from the *taluka* office than through the banks.

QUESTION 4.—I do not see any material change affected by abolishing the stamp duty on cheque, so far as the agriculturists are concerned.

Sardar Bhasaheb Raisinhji.

QUESTION 5.—Yes. It is difficult to answer the latter part, as to the contributory causes, but in all cases masses are not very adaptable to the new conditions or take to the new institutions. They have rooted suspicion as regards safety of investment in anything else except gold or land. Education alone could cure this.

QUESTION 6.—I have no means to judge the result of propaganda work in connection with the co-operative work and hence no opinion to offer.

As far as opening of branches of the Imperial Bank of India goes, it may be giving facilities to buyers rather than growers.

In conclusion I shall like to place before the Committee my humble view on one or two vital points on which depends the solution of the most important question of financial help to improve the lot of the agriculturist and to develop agriculture as a great industry :

(i) First is that the co-operative society must secure in the first instance workers who are proper persons, those who can discharge their function with due care and in the interest of the agriculturist. Framers of Co-operative Societies Act are highly educated people and full of high notions of democratic principles, but the working of the Act falls to the lot of those who, with some brilliant exceptions, are generally not in level with the framers.

(ii) The people for whose benefit all that is done belong to the lot which as a class has no chance of broadening their angle of vision for want of education, as found by the Oakden Committee.

(iii) Even those of the useful and brilliant people who have contributed to the success by working in some parts of the Co-operative Movement frequently belong to one profession or other and hence they cannot fully devote their time to the management of land bank or such other public institution and hence need of qualified staff and official co-operation should be an indispensable feature, in the beginning, if the Movement is to succeed in its object.

Oral Evidence.

7326. *The Chairman* : Thakoresahab, you are a big *talukdar* here ?—Yes, I am one of the *talukdars*.

7327. In the case of lands held in *talukdari* villages, can the cultivators mortgage their lands ?—No.

7328. Can they sell the lands without the consent of the *talukdars* ?—No. They are tenants-at-will.

7329. In the case of *talukdars* themselves, can they also not sell without the sanction of Government ?—No.

7330. Where do their tenants get finance from ?—They get finance from *talukdars* as well as from petty money-lenders.

7331. The rate of interest must be very high ?—Yes. It varies in each district.

7332. Is it the usual practice for *talukdars* to finance their tenants ?—On account of this restriction, those tenants who have no credit either borrow from Government or from societies and the *talukdars* stand surety for them.

7333. Do you have the *bhaydari* tenure in *talukdari* villages ?—No.

7334. So far as smaller *talukdars* are concerned, do they not require money for cultivation purposes ?—They do require money for cultivation purposes.

7335. Where do they get money from?—They get from societies.

7336. Do they obtain finance from *sowcars*?—But they cannot mortgage their lands. In some districts, leaving aside the question of legality or otherwise, they do mortgage their lands in some cases.

7337. But if a land cannot be alienated, how can a *shroff* give a loan on that security?—The *shroff* gives them petty loans.

7338. But for big loans for land improvement or for some such thing, there is no other alternative left but to obtain the sanction of Government?—Yes.

7339. You must be remembering that there was an idea of starting a bank for all *talukdars*?—Yes.

7340. I want to know whether you want a bank for all *talukdars* or for only *talukdars* in a particular district?—For the whole district it will be useful, provided as I have said in my answer that there must be some modification of Section F. 31 of the *Talukdari Act*.

7341. You want land to pass from one *talukdar* to another only in the same family?—If this can be done, so far so good. There was an idea of Mr. Robertson also that the land would be retained in the same class if not in the same family.

7342. Would you mind, for instance, if in the case of a *talukdari* bank permission is given to sell the land to another *talukdar*?—There is one difficulty. I speak from the borrower's point of view. If you put a restriction on the borrower that he can sell or mortgage his land to only one particular class of people, he will not have the benefit of getting money at a lower rate of interest. How can we overcome this difficulty?

7343. Would they object to the land being sold to other *talukdars*?—I do not think that there will be any objection if it is sold to *talukdars*.

7344. But the law will have to be modified. The question is whether such a modification will receive the approval of *talukdars* themselves in their own interest?—I have my own doubts about it because of jealousy and such other things. I think that is our tendency.

7345. From a purely economic point of view, this will be a good idea?—Yes. If you want to maintain the estate in tact and improve the credit, this is the best thing.

7346. As regards their tenants what can be done?—If *talukdars* take an interest, they can be helped. We must bear in mind that *talukdars* are in a sense big landlords whose estates are governed by the law of primogeniture. There are about 10 or 20 such *talukdars* and the rest form the category of cultivators.

7347. Have they got full right to alienate?—No.

7348. Can they not sell their lands without the consent of Government?—No.

7349. Are these tenants in big estates often changed?—No. They are not changed frequently, though they are tenants-at-will. The right is there, but usually they cultivate the same land and they have a certain amount of interest in the land and in *talukdars*. The interest is reciprocal.

7350. If co-operative societies are started by the *talukdars*' tenants and if a *talukdar* becomes a member, would it not be an advantage to the tenants?—It is a very desirable thing.

7351. Have any such societies been formed in other district?—In Amod there is a society. In Kanjri there is such a society. Also in Wada and Ranipura there are societies.

Sardar Bhasaheb Raisinhji.

7352. In your statement you say that very little money is spent in this district for land improvement?—I would say that nothing is spent to improve the land.

7353. Is there no room for such improvement?—There is no incentive for it.

7354. It is not the deficiency of finance that comes in the way?—I do not think so.

7355. Do you say that there is plenty of room for land improvement and if more propaganda is done people would go in for land improvement?—Yes. I honestly believe that lands could be improved and the yield can be increased if proper care is taken for manuring, etc.

7356. Is there no necessity for permanent improvement such as levelling and bunding?—In some cases there is the necessity for drainage channel, because of water-logging.

7357. Is it in the *bara* tract?—It is in Amod.

7358. In *bara* tract I understand there is one project framed by Government?—Yes; but people on account of ignorance and want of education do not go in for land improvement.

7359. If people are educated, they will want long-term finance for land improvements?—Yes.

7360. Will this be easily available in this district or a provision will have to be made for it?—Of course, this district has no possibility of irrigation, but they want loans for a fairly long period.

7361. For what term would they require them?—I would say from 5 to 10 years.

7362. If such people begin to take an interest in such improvements will *taccavi* be the best source for them or would you get finance from other sources?—Other sources.

7363. Or would you favour a land mortgage bank?—I am in favour of a land mortgage bank.

7364. Which would you prefer?—I would prefer a land mortgage bank, because there is difficulty in the *taccavi* system. I have given a standing order in my estate that nobody should suffer for want of Rs. 5 or Rs. 10 and that he should be paid immediately. The *taccavi* system is such that it will take a long time to get money and they do not get money in time, not to speak of so many bifurcations in the meantime.

7365. You state that the rate of interest charged is from 15 to 20 per cent.?—I have given a rough idea.

7366. We are told that agriculturists of good credit in Gujerat get money at 6 per cent?—6 per cent. is the bank's charge. Usually they secure at annas twelve per cent. per month on good security such as gold ornaments.

7367. You say that the Imperial Bank advances only to a few big landlords?—I thought your question meant whether the Imperial Bank gives any help to *bona fide* cultivators. I say that they do not get any help from the Imperial Bank.

7368. Do they indirectly help the agriculturists by financing their produce when it is ready?—No. I will not class them as *bona fide* agriculturists

7369. About marketing the produce, you say that your experience is that an agriculturist sells it to a local broker or to a middleman at heavy loss, is that so?—Yes. He meets with a loss of 10 to 15 per cent.

7370. Why does he not bring it to the market?—Is that due to indifference on his part?—For example the Vagra *taluka* villages are on the border line of *khar* land. They are very good villages for wheat produce. Suppose the price here is Rs. 48 or Rs. 50; a man from here goes there and buys it for Rs. 35, so they lose about Rs. 20 per *bigha*.

7371. Is there a good road from here to Vagra?—No.

7372. Suppose a man has only one cartload of cotton, he would probably try to sell it in his village, would he not?—No. The difficulty is this. If I send my cotton to a ginning factory at Broach what the gin-owner says is that the cotton is bad, and therefore, he pays me 10 or 15 per cent. less.

7373. Is there competition amongst the buyers in Broach District or is it bought only by the gin-owners?—It is mostly bought by the gin-owners and brokers who are the agents of Ralli Brothers and other Japanese firms.

7374. If a man brings cotton from Kerwada or from Broach, does he go to any market or does he take it to the gin?—Generally he goes to a gin-owner. He cannot have any direct dealings. He must go to some broker or to gin-owner.

7375. Are there any other merchants here who buy the cotton besides the brokers and gin-owners?—I do not know.

7376. Is most of the cotton bought by brokers and gin-owners?—It is purchased by outside people also.

7377. There is no marketing?—No.

7378. If there is a market and there are sufficient merchants to compete, the agriculturists will not suffer?—And also if there is some bureau which can get information and latest quotation from Bombay, the agriculturists will not suffer.

7379. Is most of the cotton purchased by foreign firms?—I believe so.

7380. You say: "Mortgage bank will not only fail in their aims but it would not be attractive because it involves publicity of the assets of the borrower which is so objectionable to any businessman or landlord and so the margin of 50 per cent. is really a great drawback". Do you not like publicity of the assets of a borrower?—No. My impression is that there is a sort of *jahirnama* published which is objected to by the people. And also the margin they are having is very big. They keep half. I will confine this remark to Broach where the land fetches more price.

7381. You say: "I emphatically suggest to effect much greater improvement in the Record of Rights and Settlement Register in case of *talukdari* lands"?—I have suggested this because a lot of trouble will be saved. Our Diwan Bahadur Malji knows the value of land in Broach. As I have suggested in my statement, I repeat again that a correct abstract from the Record of Rights with the form signed on affirmation or a certificate from the village *panchayat* after verification would be a sufficient safeguard against a bogus demand. I have read, as in some advanced countries, all wanting to raise a loan against the securities of their lands, not only should produce an extract from the Record of Rights or Settlement Register, but should also submit a statement on oath as to the validity of the document. I would not mind such rules being imposed. I would go to the length of saying that one should be punished if he makes a false declaration.

7382. Speaking about the Co-operative Movement you say that money has been advanced to persons to whom it should not have been advanced?—Yes.

Sardar Bhasaheb Raisinhji.

7383. Do you think that in the *Bara* tract where the conditions of agriculturists are not favourable, it is safe for co-operative societies to advance money?—They need money more than anybody else.

7384. Are they in a position to repay?—If money is cautiously advanced, they will repay. The condition in the *Bara* tract is different. Every year is not a good year. Every alternate year is a good year. So if a margin is made for it and money advanced they can repay it. They need money now.

7385. But the problem is that they must be borrowing from *sowcars* also?—The *sowcars* are ousted. On account of the Dekkhan Agriculturists' Relief Act the credit of agriculturists has been destroyed.

7386. Would you say that in the other districts also *sowcars* are ousted on account of co-operative societies?—I will not make this statement. I mean that they have stopped their dealings. Their dealings are now in a limited circle.

7387. If agriculturists in this district have surplus, where do they usually keep it? Do they keep it in postal savings banks or do they invest it in postal cash certificates?—They might be investing in societies.

7388. Do they not keep their surplus in postal savings banks?—I have no information about it.

7389. It has been said by one witness here that the *Bara* cultivators have begun to invest in cash certificates. Do you think that it is a fact?—In Jambusar it may be so because they are more advanced.

7390. But in the tract round about yours do they buy cash certificates?—No, it is not a popular investment.

7391. If facilities are given or if post offices are substantially increased in number, do you think that it will lead cultivators to keep their money in these postal savings banks?—I think 75 per cent. would not go in for postal savings banks. They are very conservative. There is want of education in them. They invest in land because it is very paying to them.

7392. What interest does investment in land pay?—I cannot tell you this. By direct cultivation an agriculturist gets more than by leasing it. Here the rents are not comparatively very high compared with the price of the land. The rent varies. At Ajwas it is about Rs. 30 or 40 per acre.

7393. What would be the price of cotton grown in an acre?—Rs. 200. Take *bara* land. Its rent is about Rs. 65 per acre.

7394. What is the assessment?—It is more than Rs. 10. It is very high.

7395. *Professor Kale*: In *talukdari* estates are there any occupancy tenants?—No. In none of these estates there are occupancy tenants in the Northern Division.

7396. Is the majority of them tenants-at-will?—Yes.

7397. What do you propose to do to finance these tenants?—They must join societies.

7398. But societies will need some security, will they not?—*Talukdars* can be taken as securities.

7399. Would they be willing to do so?—I think in one or two cases they will be willing to do so if matters are explained to them. They will easily take to it because they find more than anybody else the financing difficulty.

7400. With regard to postal cash certificates you say : " Postal cash certificates are not very popular, but if they are to bear sufficient interest, they may attract small investments." We have already received a complaint that the rate of interest on postal cash certificates is already too high and these certificates are competing with the local money-lenders ?—This is the complaint made from the money-lenders' point of view.

7401. And if these cash certificates are made more popular then the money in the locality will go out. It will not be available in the locality for being used. Is there not this danger ?—There is this danger.

7402. The co-operative societies also will not get money locally ?—No.

7403. Do you not think that before co-operative societies become successful, a campaign of education is absolutely necessary ?—Yes.

7404. Otherwise all our efforts in the direction of finance will be of no avail. Is this your firm opinion ?—Yes.

7405. *Mr. V. L. Mehta* : You seem to suggest that in co-operative societies some undesirables have got into the managing committees. How would you remove these irresponsible men from getting into the managing committee of a local society. You would have a local managing committee elected by the general body, would you not have ?—Yes. But the society should have paid and well-qualified staff to work.

7406. But would you like to change the constitution of the societies ?—No.

7407. And for the members of committees would you, as you said in reply to Professor Kale, provide education on co-operative principles ?—Yes.

7408. Is very little being done to promote land improvement in this district ?—Nothing is spent for land improvement.

7409. You also said that you would like to have some propaganda and some education work being carried out in respect of land improvement. Do you want Government to take up this kind of work or do you want the District Local Board to take up this kind of work ?—At first the initiation should come from Government by appointing a staff.

7410. Do you think that the District Local Board could interest itself in this kind of work ?—Yes.

7411. Have you any *taluka* development association here ?—I do not know.

7412. Nor are there any agricultural associations ?—I do not find them here.

7413. While dealing with a land mortgage bank, do you think that without some measure of publicity it will be possible for the bank to get reliable information about the assets of the borrower ?—I have already said that the party must declare the facts on oath. Besides, if we have a village *panchayat*, and a certificate can be obtained from them, that will do.

7414. Would you like to avoid publicity as far as possible ?—Yes, and the delay.

7415. What is the usual margin kept by Government when it gives out *taccavi* for land improvement ? Is it one-third ?—There is no lending of this type, to my knowledge, against landed security.

7416. *Mr. Kamat* : You said that people invest in land for cotton growing if they have surplus ?—Yes.

7417. And cotton pays a very handsome return. I find that there was an enquiry made in a village called Allader in the Vagra *taluka* through the Bombay Provincial *Sardar Bhasaheb Raisinhji*.

Co-operative Institute and detailed enquiries show that the profit from cotton per acre is not so much as you just now told us. Allader is a typical bad village as against a typical good village. As a matter of fact this tract is not meant for cotton. This investigator says that the cost of production per acre is about Rs. 23-6 and the value of the cotton crop earned would be about Rs. 27 thus leaving a net margin of Rs. 3-10 ?—In this village the fields are not capable of yielding more than 3 *dhadis* of cotton. They get Rs. 7 or Rs. 8 per *dhadi*.

7418. In this village would Rs. 3-10 as net profit for acre be a reasonable estimate ?—This is the lowest figure there.

7419. About marketing, is it intended to have a market here under the Cotton Markets Act ?—If it is organized, it is well and good.

7420. Probably there is no demand from the public ?—Here if some incentive is given to it, then the people will take to it.

7421. But if even in old towns there are markets for hay in backward tracts, how is it that a place like Broach has no market during the last 40 or 50 years, when if there had been a market probably the cultivators would have benefited ?—I may say that so far as Broach is concerned, the idea of marketing was there so far back as 1912 or 1913, but here, as I said, all initiation must come from the officials. As it was not forthcoming then, the idea of a market was dropped in 1913.

7422. How many ginneries have come into existence here ?—More than 25 gins have come into existence in this district. There are 11 gins in Palej and 3 or 4 are here.

7423. Has the class of gin-owners made a fairly large profit so far as public estimate goes ?—I cannot tell you this.

7424. I want to know whether these people have made profits at the expense of cultivators because there is no market here ?—They must be taking an undue advantage.

7425. Which would otherwise go ordinarily into the hands of cultivators ?—Yes.

7426. As a *talukdar* could you tell me whether certain secondary occupations could be introduced by *talukdars* as a class in their estates, say, for instance, dairy-farming or poultry keeping ?—I have thought about poultry keeping but there is no demand from the public. Here the difficulty does not arise about finance but the difficulty is about the ignorance of the people. For instance, if a farmer keeps a bullock costing Rs. 15, and if a better breed of bullock costs about Rs. 30, he is not prepared to spend Rs. 30.

7427. About the Record of Rights, you say that the affirmation on oath should be final ?—Yes.

7428. Do you mean to say that a man when he passes a mortgage deed should be criminally liable if he makes a wrong statement ?—I say in the same way as you have in the case of income-tax.

7429. There the Act itself lays down that a man who makes a false declaration about his income is criminally liable ?—I would make it so here also.

7430. In the case of mortgage deeds there is the usual covenant regarding encumbrances and if the party does not fulfil it, there is only civil litigation. Do you want that the liability should be a criminal liability ?—I find that there is disinclination on our part to enforce this.

7431. Would this sort of criminal liability be approved generally?—Therefore I say because of the sentiment we have to wait.

7432. There would be another complication in this country under the Hindu law which is complicated: the man who thinks that a particular piece of land belongs to him may think so *bona fide* without any dispute, and on the strength of this plea would make a statement on oath. Supposing another claimant arises and there is a genuine law point in favour of this new claimant, the man who made the declaration might be held up criminally liable although he had no intention to do any wrong thing?—I would make the bank charge to come next to the Government due. In certain matters we are governed so much by sentiment than common sense.

7433. *Mr. Desai*: The Central Cotton Committee Report says that the interest charged by *sowcars* varies between 9 and 12 per cent. in Middle Gujarat. It further says “The *sowcars* were the cultivators’ chief financiers, being responsible for 65 per cent. of the advances given. The interest charges were very moderate, rarely ever exceeding 12 per cent. and in most cases being only 9½ per cent. which was the rate charged by co-operative societies”. At another place the Report says “As long as money is obtainable at a cheap rate from *sowcars* there seems to be little scope for the spread of the co-operative credit movement”. And in your statement you admit “I am firmly of opinion based on the facts that have come to my notice that the Co-operative Movement with its original aim and object would have done immense good and solved financial problems of the agriculturists, if it was not retarded in the progress by defective working by irresponsible persons in some cases.” Further the Central Cotton Committee Report says that 65 per cent. of the advances are made by *sowcars*. Now assuming that if *sowcars* would be organized and some facilities given to them as are being given to co-operative societies regarding the recoveries and supply of money also, do you not think that they are in a better position to finance agriculturists and would be more helpful in comparison with all the other agencies?—It is a very difficult question to answer at once. It is a very wide question. I am in favour of having some act by which the money-lenders should be registered. There should be no interference with their fair dealings. Their accounts should be kept open to inspection by a Government officer or by co-operative societies. I say that because of other sister institutions the *sowcar* has had to lower his rate of interest to-day. The *sowcars* take an undue advantage of the ignorance of the people in several cases. I would allow their business to remain provided they agree to be registered; otherwise I would be against giving them any facility.

7434. In that case will you not compare the securities offered to them and as well as to co-operative societies and reconsider your views?—This is a very difficult question to answer. There is a provision now to recover his debt. I would not give an individual any facility. If *sowcars* organize themselves, some facility can be given to them. I would not create an institution which will go to mar our object. I mean a *sowcar* is after all an individual whereas a co-operative society is a body. Our Co-operative Movement has an educative value.

7435. Can you suggest any means as to how to organize the *sowcars*?—First by some enactment it can be done.

7436. Will you give us some ideas?—I have not thought of it.

(The witness withdrew.)

Sardar Bhasaheb Raisinhji.

Mr. MOHANLAL ISHWARDAS MEHTA, Broach.

Memorandum on business methods of shroffs of Broach.

Formerly the following firms of *shroffs* existed in Broach :—

1. Parmananddas Bhaijibhai.
2. Bhagoobhai Pranvalabhdas.
3. Parikh Amritlal Mohanlal.
4. Parekh Desaibhai Dadabhai.
5. Parekh Gullabbhai Narotamdas.
6. Damodardas Tulsidas.
7. Bhaktidas Bhagwandas.
8. Ranchhoddas Haribhai.

The above-mentioned firms were old ones. There were no partners in these firms, but each had their own individual firm. There were other small firms also. In those days, *i.e.*, about forty years ago, the conditions were very good ; and the middle class *shroffs* and merchants could take advantage of these firms. No one used to deal with banks in those days ; and the *shroffs* used to get money at a very low rate of interest ; and no interest was paid in the monsoon.

Ginning factory owners also used to keep their money as deposits with the *shroffs* ; and middle class people also used to deal with the *shroffs*. The firms of *shroffs* were closed as the merchants failed on account of losses.

The firm of Mr. Parmananddas Bhaijibhai was an old one and it was continued in the same name by his successors and managers after his death. The firm was wound up about thirty years ago.

The firm of Mr. Bhagoobhai Pranvalabhdas worked for some years.

The firm of Mr. Parikh Amritlal Mohanlal closed down about four years ago on account of the merchants having not paid their money due to him.

The firm of Mr. Parekh Desaibhai Dadabhai was originally styled as Dadabhai Narsidas. However, the name was changed, and the firm is conducted in the former name. The firm is still going on and it runs its business on modern lines.

The firm of Mr. Parekh Gulabbhai Narotamdas closed down about twenty-five years ago on account of the big amounts of advances not being recovered.

The firms of Mr. Damodardas Tulsidas curtailed its business on account of amounts due from merchants being not recovered and it was closed on account of the death of the proprietor about twenty or twenty-two years ago.

The firm of Mr. Bhaktidas Bhagwandas was thriving, and he expressed a desire to run the firm for thirty years after his death, but owing to the failure of his constituents, the position of the firm became worse and it had to be closed down.

The firm of Mr. Ranchhoddas is situate in the outfort. His son Amritlal still runs the business on ordinary lines.

The *shroffs* used to advance large sums to the middle class people at annas eight per cent. per mensem, and these people used to advance money to the agriculturists at annas twelve per cent. per mensem, and these people used to maintain themselves on this business. However, the Dekkhan Agriculturists' Relief Act having been put into force about twenty years ago by the Government, these middle class people suffered heavily.

How can a money-lender recover his dues from an agriculturist when he could not be arrested, his bullocks, plough and other agricultural implements could not be attached? The middle class money-lenders disappeared because the agriculturists used to file suits against the mortgagee; and civil courts used to decree the possession of land to the agriculturist and fix instalments for the money due at 6 per cent. per annum only. Moreover, most of the villages in this district are owned in partnerships. Consequently, a share of a debtor agriculturist, who has other brothers or relatives and whose land stood in the name of an elder brother, cannot be attached. Under these circumstances, how can a money-lender recover his dues?

Now-a-days *shroffs*, *sowcars* and merchants do not trust one another, and hence middle class people deposit their money with the Imperial Bank of India at 3 per cent. per annum, and the Imperial Bank does not pay any interest on current accounts. If the *sowcars* go to the bank for a loan, the bank requires some kind of security and the rate of interest charged is from 7 to 9 per cent.

Similarly, on account of the failure of Messrs. Whitle Spinning and Weaving Manufacturing Co., people deposited their money in the co-operative bank. This bank does not at all advance loan to local *sowcars*. Such are the difficulties of the *shroffs*. The co-operative bank receives deposits from the people at a low rate of interest and advances to agriculturists; and in order to avoid difficulties of recovering they have formed co-operative societies in every village. The societies have not to go to the civil courts for recoveries.

About twelve or thirteen years ago a firm was opened by the Broach *shroffs*, but it was closed down on account of the failure of constituencies.

The following are the firms of *shroffs* which have come into existence within the last ten years:—

Name.	No. of Partners.
1. Shri Broach Narmada Banking Co.	5
2. Shri Broach Banking Co.	7
3. Shri Broach Laxmi Narayan Banking Co.	2
4. Shah Jasantlal Jekishandas & Co.	3
5. Shri Modh Vepari Shroff Mandal.	5
6. Parakh Deshaibhai Dadabhai	
7. The firm of Shah Keshavlal Dahyabhai was conducted by his brother Amritlal Dahyabhai. This firm has discontinued business from the current year.	
8. Ranchhoddas Haribhai's firm is conducted by his son Amritlal Ranchhoddas.	

According to the present times the partners do *shroff* business with their own money, and in case small deposits are received they are kept in current account at annas four to six per cent. per mensem. Very few deposit for a fixed period owing to mistrust.

Shroffs give loans to merchants and none can know when a merchant will become insolvent on account of there being no profit in business. The *shroff* does not know the real position of the merchant.

Shroffs lend at twelve annas per cent. per mensem. In monsoon they get deposits at three annas per cent. per mensem, but as they advance loans at a lower rate of interest to merchants according to their position, there is no possibility of larger profits.

Mr. Mohanlal Ishwardas Mehta.

The dividend of a firm comes from 7 to 9 per cent. per annum provided there is no failure of the constituents.

About thirty years ago the rate of *hundis* was from Rs. 99-10-0 to Rs. 99-12-0. And only the *shroffs* used to accept *hundis*. In those days banks did not deal in *hundis*. In these days the Imperial Bank does *hundi* business on a large scale at Rs. 99-15-0 in the season. Few *hundis*, which the *shroffs* get, are from merchants whose credit is not established.

A *shroff* gets money from the bank at the current bank rate which is 8 or 9 per cent. per annum and that too according to the security or endorsement by some party.

There is no necessity of the *shroffs* being licensed as they do not charge more than 9 per cent. and the dealings with the *shroffs* are due to mutual confidence.

As the firms are owned by partners the depositors have not to fear much.

Insolvency is on the increase day by day.

In the season *hundis* are discounted at an anna less and at times half an anna less or at par.

Demand drafts can be had from the bank either at Rs. 100-0-6 or at Rs. 100-1-0.

The *shroffs* advance loans to merchants during the monsoon against goods at 7½ per cent.

Shroffs can mostly sell Bombay *hundis* only. The sale of Ahmedabad *hundis* is 25 per cent. of Bombay and the sale of Surat and Baroda *hundis* is lesser than that of Ahmedabad ones.

Merchants get *hundis* which they send direct to Bombay for cashing and the *shroffs* do not profit at all thereby. If they sell to the *shroffs*, the *shroffs* will purchase at the market rate.

According to our surmise *shroffs* deal in *hundis* to the extent of Rs. 40 to 50 lakhs, while the banks deal to the extent of 3 crores.

Merchants like to deal with *shroffs*, for they do not require security. From this it can clearly be seen that only *shroffs* can help merchants to a great extent.

There are very few local Broach *hundis*.

Account books of merchants are being scrutinised by the Income-tax Office. The Income-tax Office takes note of the deposit account of the merchants and thus the secret of the merchants is known. No notes should, therefore, be taken and the Income-tax should be assessed after examining the profit and loss account.

Broach is considered as a port. Formerly there was a great import trade with Bombay, Bhavnagar and other parts by sea. At present the ships suffer heavily on account of the river being filled up and ships are dragged away on sands. Merchants have, therefore, to order their goods by rail which costs more. The merchants used to be benefited when in former times sugar, etc., was imported from Bombay in ships by sea. At present the same is imported from Bhavnagar in very small ships and with damage.

About 19 years ago *Babashai* (Baroda State rupee) coin was current and *shroffs* used to make good profits. Government has discontinued that coin and, therefore, the income of the *shroffs* has decreased.

The above facts should be taken into consideration and the following changes should be specially introduced :—

1. The Dekkhan Agriculturists' Relief Act and the Partnership Act should be abolished so that the *shroffs* as well as agriculturists may be profited.

2. The Insolvency Act should either be abolished or be made strict so that the defaulter cannot take its undue advantage keeping himself safe.

3. The *shroffs* should get from Government money at a low rate of interest as they get in the Bhavnagar State.

4. No exchange should be charged for local cheques.

5. The Imperial Bank should give interest on current accounts and should accept *hundis* from *shroffs* at a very nominal rate of interest.

6. The Imperial Bank keeps safe deposits for ornaments and charges more or less annual fees according to the size of the safe occupied. However, if the depositor requires to take something from the safe, he forfeits the amount of the fee for the remaining period of the year and has to pay fresh fees which causes great loss to the depositor. The Imperial Bank should charge either monthly or quarterly fees so that the depositors have not to suffer losses.

7. The *shroffs* should not be treated as ordinary customers but should be considered as recognised bankers.

8. The Income-tax Officers should not take notes from the account books.

9. The river Narmada should be so dug as could be navigated by large ships so that the merchants could profit by obtaining their goods in ships by sea.

If the above-mentioned reforms are carried out the old business may revive.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

We are *shroffs*. Formerly there were eight firms of *shroffs*, whose business was purely money-lending. Those who deal in gold and silver are known as *choksis*. None of us are *choksis*. We receive deposits as well as lend money.

We agree with the view that merchants, who deal in *hundis* and accept deposits, cannot be called *shroffs*.

Out of eight *pedhis*, there are now existing only two, and the rest six have been closed down on account of losses and bad debts. The new *pedhis* have been in existence for the last ten years. All the eight old *pedhis* were run by individuals.

About thirty or thirty-five years ago *shroffs* used to lend money at eight annas to middle men, and the latter used to lend at ten to twelve annas to agriculturists. Now-a-days agriculturists are not financed by *sowcars* on account of the Dekkhan Agriculturists' Relief Act, and we were also affected by that Act, because the *sowcars*, to whom we lent, did not return the money to us, as they could not recover from the agriculturists. We admit that the Dekkhan Agriculturists' Relief Act was passed only twenty-four years ago, and our old *pedhis* were closed down before that. One or two *pedhis* were later on closed down because there were bad debts and losses, and they were affected by the Act.

Mr. Mohanlal Ishwardas Mehta,

As regards the proposal of appointing an individual *shroff* or a group of *shroffs* as agents of the Imperial Bank instead of opening branches, we think that individual *shroffs* or a *pedhi* would take up the liability, but *shroffs* would not take up the joint liability. In our opinion 2 per cent. commission is not a sufficient margin, and we think that 4 per cent. would be a fair margin, as we will have to incur expenses for staff, etc. If the Imperial Bank were to arrange for staff, 2 per cent. commission would be enough.

Our firm is a partnership, but we do not publish our accounts. If facilities are given to us by the Imperial Bank, we would publish our accounts so far as our dealings with the Imperial Bank are concerned, but we would not agree to publish our private accounts.

We have suffered a great deal on account of the branch of the Imperial Bank. The Income-tax office inspects our accounts and prepares a list of our depositors, which is not done in case of the Imperial Bank, and therefore, people do not deposit with us. People have full confidence in our *pedhis*. But the Imperial Bank competes with us. The Imperial Bank receives deposits at 3 per cent., and lends money on the security at 6 per cent. We charge from 6 to 9 per cent. The Imperial Bank advances large sums, say fifty thousand or a lakh of rupees, to big merchants, and we cannot advance such large amounts.

Shroffs do *hundi* business to the extent of fifty thousand rupees, whereas the Imperial Bank does it to the extent of three or four crores. The Imperial Bank charges one anna for discounting *hundis*, and we charge five pice. Thirty years ago the discounting rate of *hundis* was about six annas per cent., and the business was done by *Shroffs* only.

Formerly the *pedhis* were run by individuals, but now we work in partnership, as there were losses in old *pedhis*, and the *pedhis* had to be closed down on account of bad debts. We generally advance to sound people, but we cannot make out that they would become insolvent. People take an undue advantage of the Insolvency Act and become insolvent by transferring their estates to their relatives.

The people who have formed into a company are not relatives.

If each of our companies is entrusted with the agency work of the Imperial Bank in a *taluka*, we think, we would be able to conduct the work and might take up the liability, and would publish accounts of the business done on behalf of the Imperial Bank, but not of the private business.

None of our *pedhis* was closed down on account of speculation. Generally *shroffs* do not go in for speculative business.

We have not received facilities from the Imperial Bank. The Imperial Bank advances on the security of goods to big merchants. Our new companies receive deposits from Government on the security of Government papers. These companies do not deal in gold and silver ornaments. They charge from 4½ to 6 per cent. on the advances against gold and silver ornaments.

In Bhavnagar State, the *shroffs* are given money for trading purposes. The money is advanced by the State. We have heard that it is given at 4 per cent. There is a State bank in Bhavnagar.

Shroffs should be considered as recognised bankers by the Imperial Bank, and facilities should be given by the Imperial Bank to the *shroffs*. Government should lend funds to *shroffs* at cheap rates, because the Imperial Bank receives deposits at 3 per cent.

The Imperial Bank does not advance small sums, and therefore, the small traders would be benefited, because we would be able to advance money at cheaper rates of interest. *Mudati hundis* are out of usage now, and we have no facilities of paying these *hundis*. The *mudati hundis* should be exempt from stamp duty.

The insolvency has been increasing day by day. At present people are declared insolvent by the court even when they have property, which is transferred to other relatives. The Insolvency Act should be abolished or suitably amended.

There are seven or eight new companies, and they are the same as old *pedhis*, and the people have still full confidence in the *shroffs*. We do not give any deposit receipt, but we only enter the amount into the pass-book of depositors. We do not show our balance sheet to outsiders, and we do not show it even to our depositors. The partners of the new companies do not work themselves, but they employ managers.

People have confidence in us, and we do not agree to publish our balance sheet, though it may be advantageous to them.

(The witnesses withdrew.)

Mr. GUMANSINGH DALSINGH of the Broach Narmada Banking Company.

Replies to the Questionnaire.

(Summary of Replies to the Questionnaire in Gujarati.)

SECTION II.

QUESTION 1.—There are seven firms of *shroffs* proper; merchants who deal in *hundis* and accept deposits cannot be called *shroffs*.

QUESTION 2.—Owing to the element of insecurity introduced by the Dekkhan Agriculturists' Relief Act the *shroffs*, as a rule, do not finance the agriculturists.

QUESTION 3.—The amount of *hundi* business done by the *shroffs* amounts to about 50 lakhs. There are no dealings between local banks and *shroffs* who deal with banks in Bombay. The branch of the Imperial Bank gives no facilities to *shroffs*.

Formerly, the discount rate of *hundis* was 4 to 6 annas per cent. and the business was done by *shroffs* only. Now the banks charge one anna per cent. and only those who have no credit offer their *hundis* to the *shroffs*. Government should lend funds to *shroffs* and merchants at cheap rates just as some Native States do.

QUESTION 5.—Merchants prefer to deal with *shroffs* as they do not demand sureties or securities. The merchants pay 8 to 9 per cent. on loans advanced to them and receive 5 to 6 per cent. on their deposits.

QUESTION 7.—The *shroffs*' business could be revived if the following facilities are given :

The Imperial Bank should, in connection with the *hundi* business, make a distinction between *shroffs* and ordinary customers.

Mr. Gumansingh Dalsingh.

The *mulati hundis* should be exempt from stamp duty. The Dekkhan Agriculturists' Relief Act should be repealed.

The Collector helps the Imperial Bank and the co-operative banks in recovering their dues, whereas *shroffs* have to approach the Civil Court and after much hardship have to compromise the suits for 4 to 6 annas in the rupee, lest the debtor may take the benefit of the Insolvency Act.

QUESTION 10.—The branches of the Imperial Bank in the Bombay Presidency should be closed with the exception of the office at Bombay. Similarly, all the branches of the co-operative banks should be closed so that the *shroffs'* business may flourish.

Oral Evidence.

(Summary of the Oral Evidence in Gujarati.)

Our firm is a partnership firm, and it has been in existence for eleven years. It has not been registered. We work on the basis of the joint stock bank, such as opening current accounts, receiving deposits and giving cash credit. We also deal in *hundis*. We receive deposits at 5 per cent., and we charge $7\frac{1}{2}$ to 9 per cent. on advances made by us. We advance to merchants and not to agriculturists.

We require some money from Bombay, and we get it from the Central Bank by cash credit or overdrafts on personal security. The Imperial Bank gives money on the security of Government papers. We have banking business in Broach only.

I think it would be possible to give the agency of the Imperial Bank in a *taluka* to a firm like ours.

We deal in *hundis*, and our rates and the rates of the Imperial Bank are almost the same. *Mudati hundis* are out of use both on account of stamp duties as well as on account of lack of confidence. I do not think this *hundi* business would be revived if the stamp duty is abolished.

As regards the statement in my written evidence that "The Collector helps the Imperial Bank and the co-operative banks in recovering their dues," I mean that the Collector helps the co-operative societies and not the Imperial Bank. The societies can recover their money from the agriculturists, whereas we cannot recover it, and have to go to civil courts.

As the branch of the Imperial Bank competes with us, we say that it should be closed, and there should be no branches of the Imperial Bank in the Bombay Presidency. But I admit that the trade would be benefited by the branches of the Imperial Bank. We do not receive any facilities from the Imperial Bank, and it looks upon us as its rivals. All the branches of the co-operative banks should also be closed, because they deal in *hundis*, so that the *shroffs'* business may be revived.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Monday, the 25th November 1929.

Monday, November 25th, 1929.

BROACH.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.

Mr. V. L. MEHTA.

Mr. B. S. KAMAT.

Mr. R. P. MASANI (*Secretary*).

Mr. D. N. DESAI, M.A., LL.B., Pleader, Broach.

Replies to the Questionnaire.

SECTION I.

QUESTION I.—AGRICULTURAL CREDIT AND CREDIT FACILITIES FOR S
INDUSTRIES.—The agriculturist of this district derives his finance mainly from
following three sources :—

- (a) The local *sowcar*.
- (b) The co-operative credit society where it exists.
- (c) The Government *taccavi*.

There are no special financing agencies for capital and permanent improvements or to meet with special needs arising from failure of monsoon or other catastrophes of a like nature. In cases of such catastrophes, the agriculturist has to depend upon the local money-lender, or to a very small extent upon the Government *taccavi* and other loans. The co-operative society has not got enough financial capacity to deal with situations arising out of such catastrophes. The Imperial Bank of India, the joint stock banks or the local indigenious banks hardly advance money to the agriculturist. Merchants and other dealers, at times, give credit to the agriculturist, but there is no definite organisation for the supply of fertilisers, etc.

The rate of interest varies from 9 to 15 per cent. Recently a land mortgage bank has come into being which lends money for redemption of debts and capital and permanent improvements at $7\frac{1}{2}$ per cent.; but it is still in its infant stage and no definite opinion could be given with regard to its working.

Loans are advanced on personal security or on the security of landed property. There are no special conditions attached to the grant of such loans, but in certain cases, petty-money-lenders dealing with people who have very little security to offer, take from them bonds of a larger amount than the money actually paid. Later on, at the time of final settlement of accounts, the amount in excess is at times given up—at times, not.

Mr. D. N. Desai.

There is no co-ordination amongst the various credit agencies and as a result of that there is indiscriminate lending and consequent increase in indebtedness. It is desirable that there should be a definite co-ordination amongst the various agencies enabling each to be in possession of information with regard to the activities of the other, thereby avoiding inconvenience and possibility of loss to either. At present the various agencies—none of which is single-handed able to cope with the needs of the agriculturist—work in hostility to each other and thereby all have to suffer loss on account of bad debts and the agriculturist has to suffer on account of the rise in the rate of interest.

The Imperial Bank of India which borrows more than it lends out in the district considerably affects the finances of the co-operative banks as well as the money-lenders. It should either undertake financing at cheap rate, or should cease drawing local money outside the district. The co-operative banks and credit societies should be organised on such lines as to ensure complete financing for various needs of the agriculturist, or they should act in a spirit of co-operation with professional money-lenders who have till now, been dealing with the agriculturist. The Dekkhan Agriculturists' Relief Act and the *Bhagdari* Act, which hamper the easy flowing of finance, should be either done away with or remodelled to the advantage of all concerned in agricultural finance. The State should be more prompt and more sympathetic towards the public in times of emergency arising from failure of monsoon, etc., so that the agricultural population of the district, which is the backbone of the society as a whole, may not go lower and lower in position as it does at present.

QUESTION 2.—Cotton and wheat are the principal crops of the district. Except at one or two places, there is no organised method of marketing crops. The individual farmer either sells his goods at home or carts them to the nearest market or factory where he is subjected to all sorts of exactions. Having regard to the absence of financing agencies and want of education among the agricultural classes, formation of pools is not very feasible. If an effort is made in this direction in groups of villages where local public workers are available and adequate finance at cheap rates is supplied to the agriculturist, co-operative effort might do some good. It is evident that any effort in this direction would necessitate finance for purposes of payment of Government revenue and the household needs of the agriculturist. There are, however, no facilities in this direction and the local agencies like the village money-lenders having suffered considerably on account of indiscriminate legislation and the Government policy of issuing postal certificate, etc., much spade work, backed up by facilities from the State, will be required before any feasible scheme is worked out.

Hundis and cheques are mostly used for the internal trade of the Province. Cheques are mostly utilised by traders residing in cities. *Hundis* are employed for trade with other districts and provinces. Reduction in the duty might give some relief to traders but, that would not help the trader out of his difficulties on account of the high rates of interest and the absence of adequate financial facilities. Traders have hard times and if relief is to be given to them, the whole banking system will require to be overhauled.

Hundis emanating from this district are mostly cashed at Bombay. They are at times held by middlemen, merchants or agents during the season period. The Stamp Act which places a bar on the admission of unstamped negotiable instrument in evidence even on payment of penalty, requires to be remodelled.

QUESTION 3.—The value, per acre, of land ranges from Rs. 30 or 40 to Rs. 500. Prices are affected by the failure or otherwise of the crops. They also vary with the prices of the principal products of the district.

QUESTION 4.—The *Bhagdari* Act acts as an impediment to the mortgage of land as most of the holdings in *bhagdari* villages are portions of *bhags*. The Dekkhan Agriculturists' Relief Act, with its provisions for accounting, etc., is another impediment to mortgages and drives the *sowcar* to take mortgages in the form of sale deeds. It is always very difficult to prove the real nature of a transaction and the agriculturist for whose benefit section 10-A of the Dekkhan Agriculturists' Relief Act seems to have been enacted, loses more than what he stands to gain by these provisions. The sooner the Dekkhan Agriculturists' Relief Act is removed the better as it saps the very foundation of social morality. The working of the Dekkhan Agriculturists' Relief Act, so far as this district is concerned, has been entirely unsatisfactory. The *Bhagdari* Act also is a constant source of litigation and confers no corresponding benefit upon the agriculturist. Both these Acts should be removed from the statute-book.

There is one land mortgage bank in this district. On account of the investments in the postal certificates, the land mortgage bank will have to depend for its finances mostly on the Government and Central Institution. Government guarantee with interest not below the rates allowed by postal cash certificates may succeed in drawing deposits.

QUESTIONS 6 AND 6A.—Introduction of the spinning wheel and dairy farming in places adjacent to railway stations are the two subsidiary industries which may be introduced with advantage in this district. The Co-operative Department should devise a machinery for the supply of raw materials and the marketing of produce, leaving the agricultural classes the benefits of their labour. No financial machinery would be required if proper arrangements are made for the supply of raw material and the marketing of produce.

QUESTIONS 8 AND 9.—As stated in my reply to question 4, the Dekkhan Agriculturists' Relief Act and the *Bhagdari* Act should be removed from the statute-book. Retention of these Acts is not likely to do any good to the Agriculturists of this district. I would suggest that the Dekkhan Agriculturists' Relief Act should be repealed altogether. The Usurious Loans Act should be given a retrospective effect. The institution of a village *munsiff* should be given a more extensive trial by the amendment, if necessary, of the Civil Courts Act. The Usurious Loans Act is not availed of in this district because of the provisions of the Dekkhan Agriculturists' Relief Act. Once the latter is repealed, the provisions of the Usurious Loans Act will naturally be availed of. Provision in the nature of the Money-lenders Act will not suit this district.

SECTION II.

QUESTION 1—INDIGENOUS BANKING.—The indigenous banks and bankers of this district mostly finance the small trades in towns. There are very few bankers financing agriculture. Nor are there banks with enough capital to finance trade or industry on extensive scales. If adequate facilities are afforded by the Imperial Bank, this line of business may advance.

Mr. D. N. Desai.

SECTION III.

QUESTION 1.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.—As I have stated above, postal cash certificates are popular in this district to the detriment of the local *sowcars* and banking institutions. It is an injustice to the district and has told heavily upon its financial resources, thereby raising the prevailing rate of interest.

QUESTION 2.—The cheque habit is unknown except in towns where it is getting popular after the abolition of the stamp duty. Payment to Government servants, etc., in cheques, may promote the cheque habit.

QUESTION 3.—It is too well-known that the spread of education, inspite of the existence of the British Rule for the last so many years, has been very slow. Most of the agriculturists hardly know the three R's. Under these circumstances, it is hopeless to expect them to have the banking habit or to understand the advantages of the banking system with all its complications. The financial position of the agriculturist is getting worse as agriculture, as it is carried on in this district, is not a remunerative concern. The only remedy for the advancement of the material prosperity of the people is to educate them and to prevent the drain of the country's money from all directions.

Oral Evidence.

7437. *The Chairman* : Mr. Desai, you are practising as a pleader here ?—Yes.

7438. Are you a landholder ?—I own about 300 *bighas* of land.

7439. Do you cultivate yourself ?—I have tenants.

7440. Do you do any other business ?—No.

7441. In reply to question 1 you say : “ There is no co-ordination amongst the various credit agencies and as a result of that there is indiscriminate lending and consequent increase in indebtedness.” Do you mean that a man borrows from more than one source ?—Yes, he borrows from more than one source and for the same purpose.

7442. What are the principal sources ?—The co-operative bank and the village *sowcar*.

7443. Have you any suggestions to make ?—There should be some sort of co-ordination between these two agencies.

7444. Do you think that the village money-lenders would agree to co-ordinate with the co-operative bank ?—I think so.

7445. You say that petty money-lenders usually take a bond for larger amounts than the money actually paid. When the amount is repaid, are they usually satisfied with the repayment of the actual amount advanced ?—At times, but not always.

7446. As regards the Imperial Bank, does it not finance the big merchants ?—It does during the season only.

7447. On the security of what ?—On the security of cotton as well as on personal security.

7448. Do small merchants borrow from the Imperial Bank ?—They want to, but the Imperial Bank does not advance them.

Is it because they do not give sureties ?—They do not like to give sureties for such amounts.

7450. You state : " The State should be more prompt and more sympathetic towards the public in times of emergency arising from failure of monsoon, etc." What is your suggestion ?—That is mainly with regard to the *taccari* and with regard to the floods in Gujarat. When there are extraordinary calamities beyond the control of human beings, the State should be prompt in advancing money and helping the needy people immediately. It should not wait for private charities only.

7451. In paragraph 2 of your statement, you refer to all sorts of exactions to which the agriculturist is subjected. What are these exactions ?—I am referring mainly to the cotton dealings, and there are numerous instances in which these gin-owners subject these agriculturists to all sorts of exactions. They agree to pay a certain price, but at the time of actual payment, they reduce the price on various pretexts ; that is popularly known as *kardas*.

7452. Is it an appreciable part of the price ?—Yes, very often it is.

7453. How much does it come to ?—It comes to 20 to 30 per cent.

7454. Is there sufficient competition amongst the buyers ?—No ; it is more or less a monopoly trade here in the hands of a few individuals.

7455. How many buyers are there ?—There are five or six.

7456. Has this state of things continued for a long time ?—For the last ten or fifteen years.

7457. Were there many buyers before ?—I cannot say.

7458. Do you think the establishment of a regulated cotton market would be desirable here ?—No.

7459. Why ?—Mainly for this reason that there are no other buyers, and these five or six buyers will dictate prices.

7460. Do any of the big agriculturists send their cotton to Bombay ?—Hardly one or two do that.

7461. Does this state of things prevail in all the markets of Broach, or in Broach itself ?—Everywhere in the Broach district.

7462. Do you know anything about the working of the cotton sale societies ?—I have some information about the cotton sale society at Sajod.

7463. Is that in a position to break this monopoly ?—They are on the border of Surat district, and they have to keep up their connection with Sarat people.

7464. You say that if an effort is made for formation of pools, it is likely to be successful. Even in that case it would succeed only if the cotton is sent outside, or people from outside come in ?—Even then, there should be an appreciable quantity.

7465. You cannot have very large quantities in the initial stages ?—It would develop fast, because people are already tired of the exactions.

7466. You say that no finance for the purpose of paying Government revenue and also for household needs of agriculturists is forthcoming. Do co-operative societies not provide facilities ?—They do it much later after the season is over, because the previous year's loans are to be repaid, and when these are repaid, further advances are made. They are very chary to advance further loans.

7467. You also say that there are no facilities because of the Government policy of issuing postal cash certificates. Do the postal cash certificates drain away the capital ?—Yes, to an appreciable extent which would have otherwise gone to the local trade.

Mr. D. N. Desai.

7468. Who subscribe to these?—The village people as well as the urban people. I think the money would have been deposited with the *sowcars*.

7469. In the next paragraph you say: "Traders have hard times and if relief is to be given to them, the whole banking system will require to be overhauled." Have you any definite suggestions to make?—The Imperial Bank ought to have greater lendings here, if it is going to borrow from the district, and the traders ought to be given trading facilities by the Imperial Bank by opening current accounts, cash credits, etc.

7470. To big traders or small traders?—The small traders may be left to co-operative banks, and the big traders may be dealt with by the Imperial Bank.

7471. In the next paragraph you say: "The Stamp Act, which places a bar on the admission of unstamped negotiable instruments in evidence even on payment of penalty, requires to be remodelled." Is it your suggestion that such documents should be taken as evidence on payment of penalty?—Yes.

7472. In paragraph 4 of your statement, you say that the *Bhagdari* Act should be abolished. Would it affect the interests of the agriculturists?—It would immensely help them in their credit.

7473. Do you not think there would be any opposition from the *Bhagdari* holders?—No, so far as this district is concerned.

7474. You say: "The Usurious Loans Act should be given a retrospective effect"?—I am referring to section 2 (a) of the Act. The Act is applicable to certain classes of loans, and the Act would apply to loans contracted after the commencement of this Act, and therefore, it would leave out loans taken before 1918. In some cases it would be necessary to enquire into the loans taken before 1918, and therefore, I want that a retrospective effect should be given.

7475. Does the village *munsiff* system work well in this district?—Yes, because it is very cheap, and there is exemption from stamp duties; and if it is extended to other parts, it would be better. For the present, it is restricted to towns and cities.

7476. About indigenou bankers, you say that there are no banks with enough capital to finance trade and industry on extensive scales. There are a certain number of small banks in Broach; do they not finance the trade?—Yes, but they finance only retail traders and that too on a small scale.

7477. Is it due to want of capital?—Yes.

7478. What do you think of indigenou bankers as a class? Do you think that they would be able to finance trade and industry of the district if certain facilities are given to them?—I think so.

7479. We have been told that out of eight firms of indigenou bankers, which existed forty years ago, six have disappeared. Was that due to losses?—The difficulty is that Government borrows money at five per cent., and these bankers have to borrow money at a higher rate, and to have a margin of profit and cover the risk they have to lend at much higher rates, and therefore, their business has suffered. If they can borrow at cheaper rates, it would be better.

7480. Is it not due to the fact that the traders here financed by these bankers suffered losses, and therefore, the firms had to be closed down?—It is true to a small extent.

7481. Was it inability to attract capital?—Yes ; and they have to lend out at higher rates of interest.

7482. Do these bankers generally lend out on personal credit?—Yes, and very rarely on the security of property.

7483. *Professor Kale* : You suggest that there should be some co-ordination between the co-operative banks and the money-lenders to enable each to be in possession of information with regard to the activities of the other. Is that the only suggestion, or have you any other proposal to make for the purpose of co-ordination?—I think that would be enough.

7484. But the cultivator will continue to borrow both from the co-operative society and from the *sowcar*?—The *sowcar* would not lend if he knows that the agriculturist has borrowed beyond his means.

7485. Does he not know to-day?—At any rate the Co-operative Institute does not know.

7486. So the Institute will know how much the agriculturist has borrowed?—Yes, and the *sowcar* will also know.

7487. Is there any other method of co-ordination?—I do not think much more is possible.

7488. This only means that you safeguard the interests of the co-operative societies on the one hand and the interests of the *sowcars* on the other?—And the agriculturist also to a certain extent.

7489. But it is not co-ordination in the ordinary sense of the word, *viz.*, bringing the two into one system?—I do not think the *sowcars* would bring in his money with the co-operative societies.

7490. *The Chairman* : Do you know of any case in which the *sowcars* have deposited money with the co-operative societies?—They do not remain as *sowcars* after that.

7491. *Professor Kale* : You referred to Government policy of issuing postal cash certificates. If the rate of interest on postal cash certificates is reduced, do you think the evil would be minimised?—It might be minimised to a certain extent.

7492. Are you opposing the policy of Government of drawing money for irrigation and other purposes?—Government should raise loans for such purposes.

7493. Do you mean that the money should be raised from people living in larger towns?—Even from villages where people have capacity to invest.

7494. *The Chairman* : Are these postal cash certificates not good? Do they not encourage savings?—I do not think.

7495. *Professor Kale* : We have been led to believe by some witnesses that most of the money that goes to the postal cash certificates goes from the middle class people and salary earners, which would to a very small extent have gone to the *sowcars* and *shroffs*. Do you agree with this?—I think an appreciable part of the money would have gone to the *sowcars*, because the rate of interest of the *sowcars* would be higher than the ordinary rate.

7496. *The Chairman* : What would be the rate of interest?—5 to 6 per cent.

7497. *Professor Kale* : Supposing Government do not draw out money by means of postal cash certificates, but if banking is organised, even then the *sowcars* would not

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receive the money?—The business would receive it, and it would go to the *sowcars* in the long run, and it would be useful for internal trade.

7498. *Mr. V. L. Mehta*: Is there any sentiment attached to the *bhagdari* tenure?—I do not think so. Every *bhagdar* has experienced the difficulties of this Act. I think the sooner the Act is abolished, the better for the agriculturists.

7499. Supposing the *bhagdars* are consulted, would they favour the repeal of the Act?—I do not think there would be much opposition, and even if there is opposition, it must be dealt with a strong hand.

7500. In your statement, you say that both the *Bhagdari* Act and the Dekkhan Agriculturists' Relief Act should be repealed. But earlier you say that they should either be done away with or remodelled. Do you suggest that these two Acts should be remodelled?—If Government is not prepared to do away with these Acts, they may be remodelled. So far as the *Bhagdari* Act is concerned, it might be remodelled in this way that every portion of a *bhag* in the possession of one individual might be recognised as a sub-division, so that even if he is not able to sell or mortgage the whole of it, he may either sell or mortgage that part.

7501. Do you favour this suggestion that the operation of the *Bhagdari* Act should not extend to transactions between co-operative societies and their members?—If it is good to abolish the Act for the co-operative societies, it is equally good for others too. Why should the co-operative societies have a preferential treatment?

7502. Do you not think that any of the local banking firms had to close down or reduce their business because of speculation?—No, they themselves have not been speculating.

7503. The customers might have speculated?—Might be.

7504. About the postal cash certificates, do you recognise that there would be certain classes of people who would like to invest their money with Government?—That class is fast disappearing. They would be attracted by the co-operative banks and the joint stock banks. If they wish to invest with Government, they might go to the postal savings banks.

7505. Your objection about the drain of money would not apply to postal savings banks?—That is inevitable. A man might hoard money in his house, but that class is fast disappearing.

7506. Do you think there is any possible arrangement by which this money can flow back to the district?—I do not think.

7507. *Mr. Kamat*: You say that the Money-lenders' Act would not suit this district. What is the peculiarity about this district?—People would not like the idea of registration and going to Government offices and all that. It also implies a lot of restrictions on their own business.

7508. Do you think it would not be suitable in the case of the village money-lenders as well as the money-lenders in the *taluka* towns?—I think so.

7509. In the interest of the community would you not favour the restriction?—I think that restriction would not be enough, because they would be circumventing. I would rather trust to their honesty than put an artificial check.

7510. How would they circumvent?—As they circumvented the Dekkhan Agriculturists' Relief Act.

7511. You suggest that the institution of village *munsiffs* should be extended. Would you put any limit?—Rs. 25 or Rs. 50. The people have to come all the way from the villages in carts and spend about Rs. 10 for petty suits, and this could be avoided if there is a system of village *munsiffs*.

7512. But the bulk of litigation is about loans probably of higher value than Rs. 50?—Out of 1,500 cases nearly 1,000 to 1,200 are suits of small cause nature, and about one-third of it must be for less than a hundred rupees.

7513. *The Chairman*: We have been told that in most districts there are not sufficient facilities for financing the trade outside the district headquarters and *talukas*, and you said the indigenous banker have been diminishing, and it is not possible for a joint stock bank or the Imperial Bank to start branches. It has been suggested that if the Imperial Bank or any State Bank were to recognise some indigenous bankers of sufficient credit as their agents to finance the trade of these *talukas*, it would be a good thing. Do you think that such a system would be desirable for the trade of the *talukas*?—If the Imperial Bank works in the right spirit and helps the *shroffs*, I think it would be better.

7514. The idea is that instead of opening a branch, the indigenous banker would work as the agent of the Bank. Do you think that there would be indigenous bankers with sufficient credit to do this work?—We might find some.

(The witness withdrew.)

**I. T. ALMAULA, Esquire, B.A., LL.B., District Deputy
Collector, N. D., Surat.**

Replies to the Questionnaire.

SECTION I.

QUESTION 1 (a).—EXPENSES DURING CULTIVATION.—Indigenous bankers, co-operative societies and co-operative district banks are the chief agencies, which are most availed of by the agriculturists. But at present the number of co-operative societies is not sufficient to answer the needs of the people, and so the other source (private *sowcars*) is largely resorted to.

(b) Besides the above sources, Government do grant loans to agriculturists under Land Improvement Act for capital and permanent improvement and nowadays the District Co-operative Bank renders good help in this direction.

(c) For special needs as described in (c) Government advance loans in shape of *taccavi* owing to the failure of monsoon. If the money is needed for payment of land revenue owing to late maturing of crops and late disposal of the crops, loans are obtained by the agriculturists from the ginowners or merchants, who advance money on the security of the standing crops. They get also money from co-operative sale societies.

RATES OF INTEREST.—Rates of interest vary from 6 per cent. to 9 per cent., and in some cases to 12 per cent., according to the nature of security offered by the man. Generally moveable properties and lands are often taken into security. Wherever the crops are accepted as security, the rate of interest is naturally high owing to the comparative

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greater risk involved in securing the loan. When the period of loans is more than a year or two usually land is given in security, although the moveables are also accepted.

AGRICULTURAL FINANCE.—I will better leave the question to economists and bankers, who can throw much light on it with facts and figures.

It is not possible without facts and figures to give an idea for various financing institutions.

DEFECTS.—It appears that mostly owing to illiteracy, the agriculturists do not appreciate the organized methods of credit facilities. Besides the existence of that is considered a social disqualification and puts a man at a disadvantage in his social life. Thirdly as their wants are not determined at a particular time in a year owing to a very irregular life, loans are required at any moment. For these reasons what is required to provide good facilities of credit to the agriculturists is easy simple agency to obtain money, where the debts will be kept secret, and where money can be obtained for all requirements of life. Therefore the best method will be to have an institution in some convenient part of a *taluka*, which can advance loans with the above conditions, or some persons should be appointed as agents, who will occupy the position of indigenous bankers or *sowcars* and work as intermediate link between the Government and the agriculturists, and advance loans on particular interest fixed by the Government for said purposes till the rural public become sufficiently enlightened and educated, when a suitable institution should be created.

QUESTION 2.—METHODS OF MARKETING CROPS.—The important crop from the point of view of marketing is cotton in the district. Generally it is carried direct to the gins or presses and sold there, or even sold at the villages to the cotton brokers, who move about in the villages. Recently pools are formed and the crops are marketed through co-operative sale societies. But there are many difficulties in formation of pools. The crops should be of the same quality and credit facilities should be provided for, till the whole crop is actually marketed. But it seems on the whole from the progress of the co-operative sale societies that the idea of forming pools has a great scope and will be greatly appreciated by the agriculturists.

CREDIT FACILITIES.—At present the cotton merchants and the co-operative societies advance money during marketing. But in case of the former agency the agriculturists have some time to suffer a great deal by being forced to bind themselves down to a contract to sell the produce at a particular rate, and therefore, they sometimes miss the advantages of the rise in the prices. Co-operative societies do give great facilities, but they do not go far, being very small in number. Foreign trade is mostly done by big merchants and not by the agriculturists themselves.

Rest of the questions in this para, I leave to the other departments.

QUESTION 5.—It is not possible to obtain correct estimate of existing indebtedness, because the agriculturists as a class are always loath to declare their debts before anybody, and the best manner to obtain this figure will be to call the leading villagers of each village or appoint a special man to make special inquiry in this direction by touring in the villages to obtain this figure.

This is mostly true of the *raniparaj* people and poor *kunbi* classes. This part of the District will fall under the third class, i.e., the area not generally liable to famine. Loss of incentive in actual cultivator's mind to produce more by the better methods is a natural result to the above state of things. However, in some of the villages where the

custom of retaining the lands in the same family by the *sowcars* is in vogue, the incentive of better cultivation does not suffer much.

QUESTION 6.—Small industries such as hand-loom, spinning wheels and basket making are found in this sub-division, but a very poor minority of the agriculturists take advantage of this. Want of such industries is one of the principal factors of poverty of the cultivating classes. In my opinion the special propaganda should be carried on for introducing suitable cottage industries in suitable parts of the district such that the advantage can be taken of by males and females alike and grown up children. It is difficult to point out particular industry as suitable to a particular class of people, but generally it can be said that poultry breeding will be found very suitable among *chodhri* class, and dairying, rice milling and cotton ginning for higher classes such as *kunbis* and *Rajputs*.

The method of securing capital cannot be suggested until a special inquiry is made in that direction. But the best way will be to start the work through the Co-operative Department.

QUESTION 6A.—Weaving of coarse cloth exists in some villages. But for want of facilities of marketing and encouragement from general public, this industry cannot progress. The best method of giving encouragement to this industry will be to supply good materials to them and to keep constant supervision and give directions through some specially trained man.

QUESTION 7.—It is not possible without exactly knowing the statistics of the existing societies as regards the loans advanced and their financial position in general to answer this question accurately. But as a general observation it can be said here that the progress of the Co-operative Movement is not so internally sound as it appears to be externally. The principles of co-operation are not properly understood by the people and even by the members themselves, most of whom look upon it as an easy method of obtaining money rather than as a Movement of thrift and improving economic condition of the masses.

QUESTION 8.—The facilities of the credit have suffered to some extent due to the Dekkhan Agriculturists' Relief Act, because great advantage is taken of by the debtors at the time of repayment and the *sowcars* are put to great difficulty in recovering the amount. As a result of this state of affairs, sales have taken place of mortgages in many cases and there is general unwillingness on the part of the *sowcars* to advance money to the poor agriculturists without very solid security. There should be suitable modifications so as to disallow many instalments in the repayment.

SECTION II.

QUESTION 1.—Indigenous bankers play very important part in the rural conditions of India, being very easily accessible. Their main business is of advancing loans, and some of them do receive deposits and *hundis*.

QUESTION 2.—As remarked above, to a great extent they give loans to agriculturists and sometimes on even insufficient securities.

QUESTION 3.—The indigenous banking is carried on not on any organized method, but they follow the old custom traditionally of advancing money on *khatas* or on mortgage of lands.

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QUESTION 5.—Indigenous bankers provide funds for themselves from their own capital, or sometimes borrow the capital on easy terms from bigger *sowcars*. The interest charged is from 5 to 9 per cent.

QUESTION 6.—It is not the general practice with the indigenous bankers to insist on advances being drawn in the manner suggested in this question. Rate of interest is always higher in kind than in money. Sometimes the quantity in kind, if reduced to money, will go to 50 per cent. If the indigenous bankers are financed either by the State, or some suitable institution created that would to some extent work in the same manner as indigenous bankers do, the rate of interest will come down. The reduction in rates will go to the advantage of the agriculturists.

QUESTION 7.—There is no general prejudice against the indigenous bankers in this district, but their dealings with agriculturists are conducted on sound lines, and their illiteracy and poverty and general inconvenience of obtaining easy credit elsewhere are taken advantage of in many cases in all possible ways.

QUESTION 8.—This class of bankers does a great service to the rural classes at present. Their methods of recovery are also typical. The only step to improve their ways of working will be to finance them and help them in recovery through the agency of the State except long process of litigation. The attitude of the indigenous banking community will not be favoured to any measures providing for publicity of their accounts nor would that be liked very much by the debtors.

QUESTION 9.—There are many cases in which loans are refused on account of insufficient security.

QUESTION 10.—Indigenous banking may be linked with the urban co-operative bank with the advantage to the former, but it will be better to connect it with the branch in rural area. The manner in which the bank can inspire the confidence in the indigenous bankers will be by financing them for some time. Although judging from the state of these things obtaining now in the villages it can be said the bankers would not view with favour the idea of any systematic lending on some organized bases, because some of them have got queer methods of their own of dealings. The competition can be avoided by creating sub-agents, who would work as indigenous bankers in some of the villages.

QUESTION 11.—I do not think much money is lying idle in the hands of indigenous bankers.

SECTION III.

QUESTION 3.—The higher classes of cultivators, which may include *kunbis*, *patidars* and Rajputs generally invest moneys which come to them after paying outstanding debts, to some extent in building and erecting big houses, performing marriages on grand scale, and some of them convert the money into gold and use it in shape of ornaments. Few farmers lend to their fellow agriculturists because, as remarked above, it is considered socially not dignified to go to a fellow agriculturist for a loan.

QUESTION 5.—Yes, the banking and investment habit is growing slowly. The main causes of this slow progress is the want of economic knowledge particularly and general illiteracy. Even among those who are otherwise educated, the knowledge of the ways and methods of the best investment is found wanting to a great degree. As for the rural public, very unhealthy impressions are created by some failure of banks, and this factor coupled with general ignorance of economic principles makes them psychologically bent towards looking for very safe, familiar and easy ways of investments or advancing loans.

There should be a regular propaganda to inculcate into the minds of the people the knowledge of factors that should guide them in investing or borrowing.

Letter from S. G. Almaula, Esquire, B.A., LL.B., Assistant Registrar, Co-operative Societies, N. D., No. A.D.M., dated 13th September 1929, to the Registrar, Co-operative Societies, Bombay Presidency, Poona.

Sir,

With reference to your memorandum No. A.D.M.-204, dated 21st August 1929, I have the honour to state that by my letter No. A.D.M., dated 31st August 1929, I have submitted my answers to questions Nos. 1 and 7.

I have also submitted my answer to the questions relating to credit facilities, the difference existing in these facilities for internal and foreign trade, the part played by banks, bankers, merchants and dealers during the process of marketing by my office No. A.D.M., dated 26th August 1929. I therefore do not mean to trouble you with a repetition of the same.

I shall therefore in this letter attempt to answer the questions other than the aforesaid, in which I feel interested.

INFORMATION AVAILABLE AS TO EXTENT OF FINANCE PROVIDED IN KIND.—The societies in Dohad and Jhalod taluka supplied maize and groundnut seed from 1925-26 to 1929-30 to the following extent :—

					<i>Maize.</i>	
					Mds.	Rs.
1925-26	..	..	..	..	483	971
1926-27	..	..	..	..	1,502	3,017
1927-28	..	..	..	..	1,798	3,680
1928-29	..	..	..	..	1,816	4,250
1929-30	..	..	..	..	1,287	2,841

					<i>Groundnut.</i>	
					Mds.	Rs.
1925-26	..	..	..	..	786	3,291
1926-27	..	..	..	..	2,133	7,700
1927-28	..	..	..	..	2,485	8,814
1928-29	..	..	..	..	2,374	7,499
1929-30	..	..	..	..	2,822	7,386

Information for other districts is not so accurately available and hence it is not submitted.

QUESTION 2.—The practice of pooling the cotton of the members of the cotton sale societies is prevalent in Gujerat from the very beginning of the formation of cotton sale societies. It has worked without any objection or complaint from the members of the societies or from the outside merchants and manufacturers who purchase the cotton of these societies. I would, however, take this opportunity to say that this practice has its limitations which needs be regularly observed in order to make it satisfactory and

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successful. The cotton in Gujerat is generally picked in three lots. The cotton of the first picking and that of the second have generally not much to distinguish between the two. The cotton of the third picking, however, offers inducements to the members of the societies to make an attempt to bring *kapas* which may be mixed up with leaves. While accepting cotton of the third picking, the members of the Managing Committee have to exercise caution and plain-spokenness with the member while he brings this cotton of the third picking to the society. In Gujerat, the members of the Managing Committee immediately inform the member about the discount which will be deducted from the average price which may be paid to him when the accounts are squared up at the close of the season. As the gin-owners or merchants also adopt the practice of offering price at a discount for the yellow stained or the leafy *kapas* to their constituents, the members of the cotton sale societies accept the decision of the committee in this connection without much grudging. Hence I state that the practice of pooling can be accepted only in areas where the soil and seed are of uniform type and there too for *kapas* of the same picking. This phenomenon was brought out into prominence during the season of 1929 when owing to frost the *kapas* of the agriculturists was badly damaged, both in point of quality and quantity, and the agriculturists in their anxiety to receive as much return as possible from the produce of the field did much of the work of picking by themselves and tried consciously or unconsciously to pick the *kapas* along with the leaves or shell. In normal years, the work of picking is generally left to the labourers who being naturally not very particular about the gain to their employer do not show so much enthusiasm as to mix up the leaves with the *kapas*, and thus the *kapas* picked up by them generally happens to be clean.

The practice of pooling has one main advantage of avoiding any heart burning for any one of members of the society and giving sufficient incentive to the societies to encourage to spread uniform variety of seed.

QUESTION 4.—LEGAL IMPEDIMENTS TO MORTGAGE OF LANDS AND AGRICULTURAL HOLDINGS IN GUJERAT.—As the unrecognised portion of a *bhag* or *narya* cannot be alienated the *Bhagdari* and *Narvadari* Act works as a legal impediment against alienation of such lands in Broach and Kaira districts.

As the Mewasi tenure has not been definitely defined the agriculturists of Mewasi village in Kalol *taluka* in Panchmahals have their difficulty to obtain finance.

LAND MORTGAGE BANKS.—In the Broach district a land mortgage society has been registered in January 1929. The Bank has recently started work. As the bye-laws of the Bank and the mode in which debentures are to be issued to secure necessary financial facilities have been settled by the Registrar in conjunction with prominent co-operators, I do not repeat the same.

IMPROVEMENT IN THE RECORD OF RIGHTS AND THE TITLE OF OWNERSHIP TO SIMPLIFY REFERENCE AND AVOID POSSIBILITY OF DISPUTE BY NON-MEMBERS.—The entry in the Record of Rights at present creates only a presumptive title in favour of the person whose name appears therein. If it is so provided in the Land Revenue Code that the entry in the Record of Rights is sufficient notice like registration of the claim of the person in whose favour it is made and that if it is undisputed for a certain period, say for about 6 months, the entry becomes conclusive evidence of the title of that person, the possibilities of disputes and counterclaims by members or non-members may be avoided. Should the suggestion not meet with the approval of the Registrar as quite adequate to meet with the difficulty, it is submitted that a provision may be

added in the Land Revenue Code that a notice by the Land Mortgage Society calling upon the claimants to the property to submit their claim within a specified period if not complied with may be taken as debarring the claimant after the expiration of the said period from putting forward his claim.

SIMPLIFICATION OF THE PROCESS OF MORTGAGE BANK ON THE EVENT OF NON-PAYMENT.—Reference is solicited to the suggestion made by Diwan Bahadur Malji in this connection to the Managing Director of the Provincial Bank in his letter dated 15th May 1929, copy whereof is submitted herewith.

THE SOURCES FROM WHICH THE WORKING CAPITAL OF THE MORTGAGE BANKS SHOULD BE DERIVED.—Share capital and debenture bonds should be negotiable security marketable whenever necessary. At least the interest over these debenture bonds should be guaranteed by Government. If the mortgage bank can raise money by issuing debenture bonds at $4\frac{1}{2}$ per cent. or at $4\frac{3}{4}$ per cent., the amount may be advanced to the members at $6\frac{1}{2}$ per cent. or at $6\frac{3}{4}$ per cent.

MEASURE TO SECURE GOVERNMENT AGAINST UNNECESSARY LOSS.—The Board of Directors should be so constituted as to have adequate Government supervision over the working of the Bank.

(2) That debenture bonds should be issued by the Bank according to its necessity so that the share capital subscribed by the members, the lands offered by the members as security against long-term loans as well as the repayments made by the members from year to year under the amortization system together with the reserve fund may serve as safeguards against any unnecessary loss to Government.

ANY OTHER SUGGESTION FOR THE PROVISION OF LONG-TERM CREDIT AGAINST SOUND SECURITY.—None as has been found out by all other European countries.

QUESTION 5.—Information is being awaited from the Auditor as desired by the Committee.

QUESTION 6.—**SUBSIDIARY INDUSTRIES ALLIED TO AGRICULTURE.**—Hand-spinning and to some extent hand-weaving by purchase of small looms at about Rs. 10 to 15 per loom may be introduced to the benefit of the agriculturists and the depressed classes especially in areas where agriculture seasons are uncertain. Cotton ginneries can be started in Gujerat at convenient centres located near the central market and with the ginneries may be attached machines to form decortication of groundnuts and preparing *tur dal*. Garden produce and *gur*-making are being carried on in Bulsar, Chikhli and Pardi *talukas* of Surat district. Rice-milling may be taken up in some of the villages of South Daskroi *taluka* of Ahmedabad district and the Pardi *taluka* of Surat district.

METHODS BY WHICH RICE-MILLING, GUR-MAKING, COTTON GINNERIES AND HAND-WEAVING CAN BE ENCOURAGED.—Establishment of a systematized market, which can standardize weights and measures, improve packing, help organisation on co-operative lines and secure them facilities of adequate finance during the interval before the actual sale of the produce are some of the measures which may help the producer to secure better returns for his produce. The success in this direction may be accelerated by appointment of grading officers having necessary knowledge of marketing.

BEST METHODS OF SECURING WORKING CAPITAL AND PROPER MARKETING FACILITIES AND FINANCIAL MACHINERY NECESSARY FOR THE PURPOSE.—In rural areas where such co-operative societies for marketing the produce are organised the work of financing

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them may be entrusted to the district central banks. In urban areas and in *taluka* towns, co-operative societies for this purpose can be financed by the Co-operative People's Banks. The people's banks and the district banks are in a position to give them necessary facilities for marketing their produce.

THE INFLUENCE OF CO-OPERATIVE SOCIETIES AND BANKS FOR ENCOURAGING SAVINGS AND INVESTMENT HABITS.—The system of compulsory benevolent deposits, the introduction of share capital in societies with unlimited liability, the adoption of a system of accepting deposits for five years and more at a rate of interest amounting to 6 per cent. by the People's banks and societies with limited liability, have encouraged people to practice saving habits by themselves as well as through their dependants.

The district banks in rural areas and the people's banks in urban areas would be in a position to encourage the practice of thrift in case they open branches to accept savings, current and fixed deposits and to accept cheques for collection of payment.

WAY IN WHICH SAVINGS OF PERSON UNWILLING TO EARN INTEREST MAY BE MADE AVAILABLE FOR THE ECONOMIC DEVELOPMENT OF THE COUNTRY.—Free services like collection of cheques and *hundis*, payment of premium on insurance policies by cheques and other facilities may be given to compensate these persons for the good will and trust shown by them towards the bank. The bank should also grant them overdrafts against their fixed deposit receipts at a nominal rate of interest of about 1 to 2 per cent. as the depositor does not receive any interest on his deposits.

SPECIAL FACILITIES TO THE SMALL AGRICULTURISTS AND SMALL INVESTORS OF THE COUNTRY TO TAKE UP SOME FORM OF GOVERNMENT SECURITY.—The district central banks and the people's banks may be allowed to work as recognised agents of Government for purchase and sale of Government securities in the same way as the Imperial Bank of India.

GROWTH OF CHEQUE HABIT.—The following figures will show the growth of cheque habits so far as the Movement is concerned :—

<i>Cheques received.</i>		<i>Cheques remitted.</i>
Rs.	1924	Rs.
36,21,233		65,26,163
	1925	
75,10,142		60,05,355
	1926	
43,76,330		22,36,429
	1927	
89,68,024		52,85,152
	1928	
70,69,648		51,75,270
	1929	
1,28,25,563		88,58,275

INTRODUCTION OF VERNACULAR SCRIPT IN BANKING.—If we accept the view that banking and investment habit in India are of very slow growth we have to trace the reasons for that state of affairs.

The main reason to my mind is that banking in the western form owes slow development in its popularity to the illiteracy of the masses, if illiteracy is confined only to absence of knowledge of the English language. If vernacular script is introduced in banking the growth of cheque habit is likely to be developed. Besides rigid and literal adherence to the rules and regulations of banking by banks established on western models may not be found to be quite accommodative for the people of the country who are accustomed to expect their indigenous banker to work more to their convenience than his in small details of their transactions with him. It is submitted, therefore, that the banks may with advantage make their rules, a bit flexible and accommodative in the initial stages so as to make themselves popular and attractive.

While submitting my replies to the questionnaire, I had the benefit of consultation with the Special Auditor, Co-operative Societies, Surat, and hence the selection of questions for reply and answers to the same have been made and written by mutual consultation between us.

The auditors in the Division who attended the Conference of the Cotton Sale Societies on the 8th September 1929, were also consulted by me before drafting the replies.

*Copy of the letter dated 15th May 1929 from Diwan Bahadur A. U. Malji to the
Managing Director, The Bombay Provincial Co-operative Bank,
Ltd., Bombay.*

“Your letter No. d-19/19, dated 9th instant.

“I am of opinion that as the subject is to be dealt with by a Provincial Legislation, a section to the following effect may be suitably added to the new Act :—

“For satisfying the Arbitrators' awards or Liquidators' orders made under the provisions of this Act and which have not been otherwise realised for over one year after the date of payment mentioned in the said awards or orders, the Registrar shall, on publication of three months' notice, have the power to sell through his agency by a public auction the mortgaged property without the intervention of any Civil or Revenue Court notwithstanding anything to the contrary contained in any other enactment. On confirmation of such sale three months after it is held, the mortgaged property shall vest in the purchaser”.

Oral Evidence.

7515. *The Chairman* : Mr. Almaula, you are an Assistant Registrar, Co-operative Societies, for the five districts in the Northern Division ?—Yes.

7516. Since when ?—Since July 1925 with a break of about six months.

7517. Which district in Gujerat is the most developed from the co-operative point of view ?—I think Broach is the most co-operatively well developed district in point of credit societies, and Surat is most developed in point of sale societies.

7518. Taking the case of Broach, it is said that members of co-operative societies do not get sufficient finance even now. How far do you agree with that view ?—During the last few years owing to floods in Gujerat, the finance may have to be restricted ; but they established the system of preparing the maximum credit

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statement and with that statement, I am sure, the difficulty of finance would be removed.

7519. Have the good members of the society been financed only up to the limit fixed?—In the frost affected areas where loans are required by members, who were in the past found to be good members, we have taken care to see that the limits are raised, and in their case special limits are sanctioned in order to give them facilities for seed and for obtaining other agricultural necessaries.

7520. Is that done to prevent such good members going to *sowcars*?—Yes.

7521. Do you approve of the suggestion which has been made to us that the big landholders should be separated from the small agriculturists, and these big landholders should form themselves into a separate society or a bank? Will you have such a separate society or a bank for big landholders in each district?—In the Broach district or in the Surat district I would not make any such suggestion.

7522. Would you make it in Kaira?—I have come to realise that most of the members of societies are backward people, and good people never join societies in *talukas* like Anand and other northern *talukas*, and I am told that the big *patidar* gets money at a lower rate of interest, and in that case, if a separate society or a bank is started, it would be better.

7523. Whom would you call big *patidars*?—Those owning about 50 to 60 acres of land.

7524. Would you leave out the small *patidars*?—They do not join.

7525. At what rate of interest can they get loans from outside?—They say that they can get loans at 6 or 7 per cent.

7526. Will you have a separate bank in a particular *taluka*?—Not in every *taluka*. The position in Kaira district is such that they cannot finance individuals. If these *patidars* form a society of their own, and if they want big amounts, they should find deposits at a lower rate of interest, and they should start their own bank.

7527. A central bank?—A *zemindars'* bank either on limited or unlimited liability; otherwise the Kaira bank should be given powers like the Surat district bank to finance individuals up to a certain limit, and when ten or twelve *patidars* join the society, they may be given a separate society.

7528. Even in Surat the advances are limited?—At present there is limited finance given to individuals, and all the individuals do not come from villages, but they come from the city also.

7529. As regards these district central banks, has there been any proposal for them to take up the administration of sub-treasuries anywhere in Gujerat?—In Broach.

7530. Has that question been decided?—It is under consideration.

7531. What is your view? Do you think some of these central banks are in a position to undertake the management of sub-treasuries?—Yes; we have started engaging B. Com.s in the Central Bank in Surat.

7532. B. Com.s with experience, or fresh B. Com.s?—B. Com.s with certain experience.

7533. Do these societies charge penal interest in case of defaults?—The societies do not charge penal interest.

7534. Do they not charge even in some cases?—They do not; even in awards they do not charge.

7535. Do banks charge penal interest to societies ?—In four or five cases banks do charge.

7536. What is the policy of the Department about this question ?—The policy of the Department is laid down that no penal interest should be charged. As regards banks, it has been laid down that banks should not charge penal interest, and the question between societies and members is under consideration.

7537. In case of Kaira, I find that it has remained more or less stationary during the last three or four years. Has the Movement not developed there ?—The southern *talukas* have been developing; and in the northern *talukas* last year Matar *taluka* was affected by frosts, and before that by floods. In Nadiad the villages on the river bank were affected both by floods and frosts. So in the northern *talukas* the finance has been difficult.

7538. In bad years, is there not a greater demand for finance ?—We have more to look to consolidation in these tracts.

7539. Do the figures mentioned in your letter represent the actual amounts advanced during a year, or do they represent outstandings ?—Outstandings.

7540. If in any particular year there have been heavy arrears, would the amount actually advanced be correspondingly less ?—It cannot be said, because advances would be made in bad years to members who have been deserving. For the last two years the arrears have been due to bad seasons and floods and frosts.

7541. Does that not mean that the total amounts advanced would be less ?—Yes.

7542. In your letter, in case of Surat District Co-operative Bank the working capital is Rs. 19,32,925, and the loans advanced amount to only Rs. 3,81,690 ?—The fact is that some recovery is made before March and some after March. I made enquiries and found that the Surat District Co-operative Bank recovered to the extent of Rs. 4,14,000 after March after the agriculturists got money from the mango crop.

7543. If Rs. 4,14,000 are added to the amount of Rs. 3,81,690, the total advances would come to about 8 lakhs of rupees. Still, the surplus is more than fifty per cent., can it not be invested ?—It cannot be invested. In Olpad *talukas* there are non-members' deposits. The Surat District Bank has six to seven lakhs in savings accounts, and it has an equal amount in current account, and it has to keep fifty per cent. as fluid resources. If the policy of the Bank to finance cotton sale societies at the same rate of interest as is charged on finance for current agricultural requirements undergoes some modification, the complaint of the cotton sale societies would be reduced; and the Bank would be in a position to invest a part of its surplus funds.

7544. *The Chairman* : Do sale societies require short-term finance ?—Yes, they require short-term finance for about four or six months.

7545. Is short-term finance introduced on a very large scale here ?—In almost all the societies in the Vagra *taluka* it is introduced.

7546. Is it introduced in the whole of Gujerat ?—No. We are thinking of introducing it. Now the tendency of the members generally seems to be in favour of this system.

7547. Referring to non-members' deposits you seem to think that it is not a good system in societies ?—Yes.

7548. Are they not in a position to meet the demand of a non-member when he demands his money ?—No.

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7549. Are the periods of non-members' deposits so fixed that they are reasonable so far as recovery time is concerned?—In some cases you will find that the time of repayment is fixed at the time of the season when societies have no money with them to pay.

7550. You seem to suggest that the Surat District Bank should give more money for encouraging subsidiary industries. What sort of industries could they encourage in Gujerat? Has it been decided by any competent agency as to what industries could successfully be introduced in Gujerat?—The Director of Agriculture, the Registrar of Co-operative Societies and the prominent citizens of Kaira District met to consider the question of starting a creamery society. It was noticed that a grant of Rs. 300 or 350 would be required to subsidise this industry.

7551. Do you want a grant of Rs. 300 or 350 for each member?—No. For each creamery society Rs. 350 will be required.

7552. For what area?—It will be confined to a group of villages. We then postponed the consideration of the scheme and the Deputy Director of Agriculture advised us that it was necessary to pay greater attention to the breeding of buffaloes before we can take to creamery.

7553. Has any other subsidiary industry been started?—We have at Pardi *navar* weaving.

7554. Does this industry require finance?—No. Propaganda is wanted.

7555. You suggest that a society should be stopped altogether from receiving non-members' deposits. Would this not dry up one source of getting capital? Where would non-members keep their deposits?—They would keep their deposits in the district bank.

7556. Would they care to deposit their money in an institution which is not close to them?—I say that the district bank may be induced to open branches in the *taluka* towns for the sake of receiving non-members' deposits and current deposits.

7557. Will the men have confidence?—The Surat District Bank has opened branches in several places.

7558. It has opened branches for financing as well as for receiving deposits, has it not?—First they can receive deposits and then they can finance.

7559. As regards the marketing of produce you heard the last witness say that the interests of agriculturists suffer because there is want of competition amongst the buyers especially in the case of cotton. Do you agree with him?—There are the agents of Japanese firms and commission agents who are actually competing as to who would pay a higher amount against cotton. There are people who advance 60 per cent. and 70 per cent. and in the boom period people advance cent. per cent. prices of cotton and book cotton to their own firms in Bombay. It is really a competition for Broach. If the quality of cotton is inferior then there will be a lack of competition.

7560. Is the number of buyers restricted in Broach?—No.

7561. Do agriculturists suffer a lot owing to extortion when cotton is being purchased?—Yes; they do suffer.

7562. But if there is keen competition such sort of extortion should be minimised?—But when they go to gins, they have to pay certain customary charges.

7563. Apart from customary charges is there *Karda*?—Yes, there may be. The gin-owners have their agents in villages who may be the local *dalals* or the local traders.

These persons while purchasing cotton may be following any tactics They might even buy it on their own account.

7564. What is the practice here ?—There are *dalals* who do so.

7565. And amongst these people who buy on their account are there any who play this mischief ?—Yes.

7566. You are referring to the amount placed at the disposal of the Co-operative Movement by Government. Is much of it being utilised in this division ?—Much was not known about it and when we brought it to the notice of members, they freely applied for land improvement. I have come across cases where they have freely applied for land improvement.

7567. Have there been many cases ?—I know about five or six cases.

7568. But if more was known about this scheme, do you think that there would be more applications ?—Yes.

7569. For want of sufficient propaganda does a large portion of this amount remain unutilised ?—It may be one of the reasons.

7570. Do you think that this is a sound scheme or can the Co-operative Movement sanction funds for long-term requirements out of its own capital ?—I think that Government *taccavi* should be there.

7571. But what are the other reasons ?—The Agricultural Department whenever it comes across cases like this should immediately bring it to the notice of the society and should try for the member to get his loan through the society. There must be some co-ordination between the Agricultural Department and the Co-operative Department and they must work together. This is also a part of the propaganda.

7572. On the same page you say that the village *sowcars* deposit their money in the rural societies ?—Yes.

7573. What rate do they get ?—Till 1926 it was 7 per cent. In Gujerat it has now been $6\frac{1}{2}$ per cent. for non-members' deposits.

7574. But is this rate higher than the rate at which they advance to agriculturists ?—It may not be so but they prefer to deposit their money in societies because they get their money back when they want it.

7575. You say, "Co-ordination between the Imperial Bank and the joint stock banks is possible through the Provincial Co-operative Bank and the land mortgage bank, when one is started". Will you please develop this a little? How can the Imperial Bank and joint stock banks be brought together by the Provincial Co-operative Bank ?—If the Provincial Bank stands in need of finance it can, by depositing the bonds of the societies which the societies pass to the Provincial Bank, get financial assistance from the Imperial Bank.

7576. But you say that co-ordination between the Imperial Bank and joint stock banks is possible through the Provincial Co-operative Bank ?—Because when a land mortgage bank takes up the business by starting debentures and when these debentures come in the market then in case the Provincial Bank is to work as the Apex Bank in the province, it will require finance and also facilities to make the debentures marketable in which event it will have to seek the co-operation of joint stock banks and the Imperial Bank.

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7577. You say that the Co-operative Movement does not advance amounts for dowries or for ceremonies in connection with obsequies. Do they not advance for marriages or for death ceremonies?—Where there is a high dowry they do not advance money.

7578. Then the members must be going to *sowcars*?—Yes, because the society cannot afford to advance a large sum of money.

7579. But if a member goes to a *sowcar* and borrows from him Rs. 4,000 or Rs. 5,000 is not the position of the society also shaken? Does he continue to be a member of the society after this?—In some cases it is not known to the society whether a member has borrowed from a *sowcar* or not.

7580. Do not the managing committee members try to find out what the outside debts of members are before making any loans?—They try to find out what are their outstanding debts, but the members generally tell them that finance is required only for current purposes.

7581. Even though they are heavily indebted outside they ask finance for current requirements?—Yes.

7582. But does not the *sowcar* go first and take the produce?—No. The members some how or other take care to see that the produce is brought into their possession or the sale proceeds of it utilised towards payment of the society's liability. Last year, I was told, in Pardi a sum of Rs. 60,000 or Rs. 70,000 was spent in marriages.

7583. As regards peoples' banks, how far are they financing local traders and merchants?—Recently co-operative banks have commenced to finance local traders and merchants.

7584. But they have large surpluses with them while the needs of particular towns are not sufficiently met?—They are of course trying to get their limits increased and whenever there is an amendment we do not oppose it.

7585. Is there efficient management in all these banks?—I cannot say for all banks.

7586. Is the Supervising Union doing anything to improve the work of the societies?—The Union maintains a supervisor. He is a B. Com. or a Graduate. He visits every bank once in three months and chalks out plans and if the Union has any suggestion to make, he makes the suggestion to the Bank and tries to see that it is carried out.

7587. Is he an expert banker?—I cannot say, but the managing committee members are composed of persons having a good knowledge of banking.

7588. But do they not require any advice from outside?—They do want it but at present the Union Committee is quite competent to give advice.

7589. I find from the statement that a large part of the working capital of last year was not utilized and was lying idle. The want of an increase in limits might be one of the reasons for its non-utilization. Can it be due to the absence of external advice also?—They do not only want the external advice but they want also expert management.

7590. If there is no expert management, the need for advice is still greater?—Yes.

7591. About advances in kind I find that the quantities advanced are comparatively small considering the extent of the *taluka* and the number of co-operative societies in Dohad?—Repayment in kind has been practically for all the crops but advances in kind is only for certain *talukas*.

7592. But if they go to the village money-lenders for their seed, they would naturally take their produce also to them?—No. The village money-lender has entered into a special agreement with us and has agreed to sell them seed of the best variety that is available in Dohad at a price which is not in any way higher than in Dohad, and the Special *Mamlatdar* always watches him there.

7593. Who pays for the seed?—The price is paid by the Special *Mamlatdar* only for the members.

7594. Indirectly it is made by the co-operative society?—Yes.

7595. Does the *bania* give seed on credit?—No. He will send his account to the Special *Mamlatdar* who will immediately pay. I want to know what these figures represent in the statement? Do these figures represent the advances in kind through merchants or advances in kind given direct by the co-operative societies?—These figures represent the advances in kind made through the recognised merchants to members of societies.

7596. Do these figures represent the total advances made by co-operative societies indirectly?—Yes.

7597. But is this enough for all the members of the society?—It has been found enough and besides members have their own seed.

7598. As regards pooling, you say that cotton is mixed up and there is this danger?—Last year the picking was done not by the labourers but by the members of the families themselves who in their own interest to increase the weight of cotton did so.

7599. Are large advances made by *sowcars* on standing crops?—I was informed that there is a system of the advance on standing crops. That is why we are maintaining a bye-law whereby the members get about Rs. 4 to 5 per acre on standing crops in the weeding season.

7600. Is not here already a sufficient number of cotton ginneries?—But they may not be on co-operative lines.

7601. *Mr. V. L. Mehta* : Will not cotton ginneries on co-operative lines have to face competition also?—If there is loyalty, competition does not count much.

7602. *The Chairman* : You want the urban finance to be entirely separate from agricultural finance?—This is for marketing goods produced by co-operative producers' societies.

7603. Why do you suggest that the marketing of industrial societies should be done by an urban bank and not by a central bank?—A central bank has not the facility nor the organization to deal with it. My idea is that there should be an information bureau as is established in European countries. The urban bank can maintain a room where it can expose the goods of these industrial societies and at the same time give them the necessary facilities to send them to other towns for sale. A district bank will not be able to do this work.

7604. About privileges, you suggest that in order to enable co-operative societies to increase their reserve fund Government should give them the right to cut babul trees?—In Ahmedabad contracts are given to other people and they are selling the wood in the market and even by private treaty. Therefore, as I have said in my answer, in order that co-operative societies may have a substantial reserve fund, Government should

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give them the exclusive contract of cutting such babul trees as are deemed fit by Government for cutting in the village or those in its vicinity and the surplus income which the society may get from such concessional contract should be carried to the reserve fund of the society.

7605. Does not this practically mean a grant?—No. On the contrary I place it on a higher level. You are creating thereby a spirit of unity.

7606. You say "Under section 21 of the Act VII of 1925, the societies have under certain conditions first charge on the produce of the member grown with the loan from the society. It is very difficult to enforce the said charge. The procedure for the enforcement thereof deserves to be simplified by necessary modifications, by adoption of rules regarding notice of the same, as it is not enforceable against a *bona fide* purchaser for value without notice." How could the procedure be simplified?—Especially in a place like Dohad where the *sowcar* is predominant they find it very difficult to enforce this charge. Therefore, if some simple provision like the one I have quoted for the Panch Mahals district in the notes I have given to the Committee is enforced, it will prevent the people from taking away the crops of the members, and it will also have some salutary effect on the members themselves and it will ensure recovery.

7607. You say "The co-operative ginning societies should be given the concession of digging the earth from plots of land belonging to Government and sand from the bed of the river free."?—I have sufficiently realised these difficulties in the case of the Sonsak Ginning Society. The society is located on the bank of the river Tapti and they have to approach the contractor for the purpose.

7608. Is the right sold by auction to the same contractor?—Yes.

7609. Is the sand required for building purposes?—Yes.

7610. In that case all societies who may go in for building purposes would require this concession?—This concession may be given to housing societies also.

7611. You say that there is not much co-ordination between indigenous bankers and co-operatives societies. Do they help you or do societies help them?—In the Surat Bank they are on our Board of Directors and in the Kaira district too but not in Broach.

7612. So there is a certain amount of mutual co-ordination?—Yes.

7613. Can you tell us what is the percentage of the total finance required by agriculturists provided by the Co-operative Movement in Gujerat?—I cannot give you any definite idea.

7614. Does it provide one-fourth or one-sixth of the finance required?—I can say that the Co-operative Movement has yet to provide part of the a greater finance required to meet all the needs of members.

7615. And it is still the village money-lender that is mostly financing agriculturists?—Some *sowcars* may do it.

7616. This being so, if certain facilities are given to the money-lenders, would it not be possible for them to finance agriculture in an easier way than they are doing at present?—No. I would not give the money-lender any facilities because he would be utilising the facilities for his own ends. Co-operative societies do it for the common good.

7617. Is not the internal trade mostly financed by indigenous bankers?—To a considerable extent it is being financed by them.

7618. Do you think that there will be any objection to give them facilities so far as internal trade is concerned?—I would prefer to have co-operative sale societies which will be given facilities so that the agricultural industry will be benefited and the whole trade will be benefited.

7619. *Mr. Kamat* : About these people's banks and the surplus money lying in their hands, do you expect that they should venture out with their finance in giving it to joint stock concerns which are either of a manufacturing character or of a similar kind?—I would like to lay down certain restrictions over it. I would not like to devote a substantial portion of the urban banks' capital to such concerns because it may prove dangerous.

7620. Do you advocate that sale societies either for cotton or for other produce should be encouraged more and more?—Yes.

7621. How many organizations have you in Broach?—Two.

7622. Are they doing well?—No. This was not due to the fault of theirs.

7623. You will realise that the problem of marketing on modern style with due facilities and regulations in favour of agriculturists is lacking in Broach district. Also the sale organizations here as an aid to marketing are not entirely successful. In view of these two problems have you any suggestions to make as to how best this could be brought about?—The sale organizations are successful.

7624. Do you think that there should be no further effort towards efficiency?—Markets as suggested under the Cotton Markets Act may be established in certain areas.

7625. This is one side of the problem. So far as sale societies are concerned, are the men in charge of them men of sufficient business experience in marketing the goods?—They do not have that much experience which you can expect from a good *dalal* or a broker but at least they have the local market experience and all that is required to conduct a sale society.

7626. Are they sufficiently experienced in the art of marketing as known by the ordinary businessman? To this extent, do you think that they are experts?—I would say that they know how to sell their goods from day to day because there is no purchase for them. The sale price has only therefore to be considered.

7627. You know that he is a successful man who can buy at the right time. Has this art developed amongst your men who are in charge of sale societies?—I cannot vouchsafe.

7628. About the question of marketing you say that there is sufficient competition amongst buyers in Broach so far as cotton is concerned. Am I to understand that you are quite satisfied with the condition from the point of view of agriculturists and that you would not have a regulated cotton market here?—I would like to have a regulated cotton market here.

7629. Has your Department done anything to popularize the idea of regulated markets and considered the public opinion to enable Government to establish such markets as soon as possible?—The Deputy Director of Agriculture is making an effort to establish a market for Jambusar *taluka*.

7630. You say "The surplus of the central banks is invested with the joint stock banks approved by the Registrar". You are stating a fact here. Do you know it yourself?—

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I would much desire that the surplus should be utilised by the district banks in the Movement and if it is going to be deposited with the joint stock banks, at least the joint stock banks should give the same facilities to district banks as they give to their and other constituents. As far as possible, the district bank should utilise the surplus in the Movement itself and the law should be made flexible that district banks should not be asked to finance at 7 per cent. When a district bank has surplus due to savings and deposits, it might as well reduce its rate of interest to the same rate as is given by merchants or by gin-owners.

7631. *Professor Kale* : You suggest that urban banks might advance moneys to joint stock concerns after imposing certain restrictions upon the transaction. Do you approve of the idea of the urban bank going in for this sort of business, namely, financing joint stock concerns?—So far as I understand, if a joint stock concern has some produce or some goods on which it requires finance and then if the urban bank has capital and thinks that it does not run a great risk, it can finance it. I can understand the difference between a co-operative concern and a capitalistic concern. When this question was raised by the previous witness, his idea was that he wanted facilities to finance small industries round about a particular town in which an urban bank was located and if such industries could not get finance from any other source, in that case the urban bank as a banking concern might give some facilities with certain restrictions.

7632. It is no doubt true that small industries should be financed by an urban bank, but joint stock concerns may be of any size and their business may be of any character. No doubt it may provide an outlet for the surplus funds of the urban bank. But do you approve of it on principle that these transactions should be entered into by an urban co-operative bank? I can understand small industrialists; but if there are joint stock concerns with a capital of one lakh or two lakhs which would have been advanced by individual shareholders over the management of which the urban bank may have control, do you think this business is a kind of business which should be favoured by an urban bank?—On principle I would not approve of it.

7633. It may be another thing as a matter of convenience?—It will be an utilitarian concern. Supposing there is a big concern, and if it wants some facility and if the urban bank can do it to a certain extent, let it do it. I speak with reserve because the case will have to be decided on its own merits.

7634. Do you not think that non-members are depositing their money in co-operative societies because of their giving a high rate of interest?—Yes; and at the same time these people think that these institutions are semi-Government institutions and as such, their money is safe. I have seen that if societies start begin taking non-members' deposits, after some period they are not in a position to repay, and it is the central bank that finances these societies so that they may pay back the non-members' deposits.

7635. Therefore, as a general rule, you will not encourage in societies the taking of non-members' deposits?—Especially when the central bank has surplus and if it allows its surplus to be utilized, then the societies can lend at a cheap rate.

7636. *Mr. V. L. Mehta* : What is this further dividend which you have mentioned?—Under Rule 23 we have not to pay any bonus to a shareholder beyond the dividend that has been paid. I do not exactly remember the rule; but in order to get over this rule, generally, a certain percentage over the dividend is paid.

7637. *The Chairman* : Is this in addition to 7 or 8 per cent. ? Under the rule they cannot pay anything over 7 or 8 per cent. ?—No.

7638. Why do they have this circuitous way of doing things ?—In one year they pay about 8 or 9 per cent., but in the next year they want to restrict the percentage so that the members might feel that the bank is working well, and not to create any undesirable effect they do so.

7639. Do they pay it in contravention of the rule ?—No. It is a sort of a device to get over that control.

7640. Is this not objected to in audit ?—No ; because it is styled " further dividend ".

7641. Do you remember what Rule 23 is ?—No.

7642. *Professor Kale* : Would it be correct to say that when cotton is removed from the village to the borough it is financed with money belonging to the borough gentlemen ?—The shop-keeper supplies the money there. There are local deposits taken by gin-owners at the market rate of interest and they finance their growers and their constituents.

7643. In the case of foreign exporters money is supplied from Bombay ?—Yes.

7644. You say that there is a good deal of scope for the expansion of Credit Movement and sale movement in this district ?—Yes.

7645. Are any efforts being made to extend the Movement at present, or are you marking time or watching the development ?—We are trying to consolidate the Movement.

7646. You said that you could not give an estimate about the financial requirements of agricultural crops in this district. Can you say how much finance would be required for raising all these crops in this district ?—I would not like to mention on surmises. I was doing this work ; but I found that it was not so easy, or it is not possible to give an approximate idea.

7647. *The Chairman* : Would it be possible to make such an estimate ?—No, because we do not know who will take finance from whom.

7648. From your experience of the members of the co-operative societies, can you find it out ?—In that case, it requires some process and time.

7649. *Professor Kale* : You have given figures for finance through credit societies in the five districts. How do you account for the fact that the figure of Broach is thrice as much as that for, say, Ahmedabad or Kaira, and twice as much as that of Surat ?—It is because the number of societies in Broach is large.

7650. So the Co-operative Movement has extended in Broach to a greater extent than in other districts ?—Yes.

7651. *Mr. V. L. Mehta* : You said that if there are any fit areas, and if there are proposals for registration, you do not object to registering new societies. Is that so ?—Yes.

7652. We have been told in some parts of the Presidency that owing to the lack of staff of the Assistant Registrar or owing to the paucity of the number of auditors, it is not possible to allow any more societies to be registered ? Is that the case here too ?—Yes, I also feel the difficulty of insufficient staff.

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7653. Does that come in the way of registration of new societies ?—It would to a certain extent.

7654. Some suggestions have been placed before this Committee that the power to sanction special limits beyond the ordinary limit, with which you have been invested at present, may be delegated to the central banks. What is your view ?—I will give you the details of the power. It has been vested up to 15 per cent. of the members with the Assistant Registrar and the rest is with the Registrar. The form suggested for the grant of special limits is very simple, and there is no delay in granting special limits.

7655. Do you not think that the central bank will be able to deal with such representation quickly ?—I think the time has not come to do that.

7656. I suppose some of your district banks were started before banks were constituted in other districts of the Presidency. Are not the banks in Surat and Broach old established enough for the purpose ?—The Surat Bank was converted into a district bank only in 1922. I would rather keep the powers with the Registrar.

7657. You say that there is not much of propoganda with regard to loans for land improvements, and you add that the Agricultural Department might interest themselves to a greater extent in this than they do at present. What exactly is the present machinery for this purpose which would suggest to people to take up schemes for land improvement ?—There is no machinery at present. I have to rely on the Department of Agriculture. The agricultural advisers examine the schemes and send them to me.

7658. Does the *Taluka* Development Association help you ?—We have *Taluka* Development Associations recently started. If they have the right type of agricultural organisers, they might do it. There are certain types of *Taluka* Development Associations which can do it, but all cannot do it.

7659. Do you hold the view that there are possibilities of small schemes being taken up ?—I think so.

7660. Do they need investigation ?—Yes.

7661. Have you irrigation societies or, what you call, power pump societies ?—There are power pump societies.

7662. What exactly are these ?—Members combine together to buy a power pump and to irrigate their own lands, and if there is a well in one of the fields, they take a lease of the well jointly and get water by the power pump if there is insufficient water supply for their *rabi* crops and in times of scarcity.

7663. How do they recover the charges ?—The charges are recovered by the scale of water consumption. They keep a register of the consumption of water, and the members are charged in proportion to the consumption.

8664. Are these in practice financed wholly by Government, or do they have any funds from outside ?—They take share capital, and recently Government have given them loans up to the extent of the share capital.

7665. Have they to raise loans from depositors ?—If they want to go in for big engines of higher power, they will have to rely on the central bank.

7666. Have these schemes been successful on the whole, or have any of these schemes failed ?—Unfortunately my experience is connected with places where there were floods and frosts. The second scheme did not succeed because there was very little unity. If the members have sufficient loyalty in them, the schemes would be successful.

7667. How many schemes have you ?—I have only one power pump society. I would rather prefer that the power pumps should be taken by individuals.

7668. Why is it that the Co-operative Movement has not made much progress in this part of the Presidency for weavers ?—The problem of weaving industry is still to be taken up.

7669. Do you think there are any prospects of more weaving societies being started, or the weaving industry being financed through co-operative societies ?—They can be financed if there is a separate staff to do that.

7670. What is this suggestion of yours about the central banks interesting themselves in the introduction of the hire purchase system for supply of implements ? Is it not the business of the implements manufacturing and selling company ?—The implements supplying companies have no prestige. Agriculturists have not so much confidence in these companies as they have in the central banks.

7671. What sort of machines have you in view ?—Small machines such as are manufactured by Messrs. Kirloskar Brothers.

7672. In Pardi, Khan Bahadur Bhiladwalla took a loan to supply tractors to the agriculturists in the *taluka* on hire. In the same way can the central banks give on hire purchase system such machinery to big agriculturists, who would hire to other agriculturists ? Can they do it under the present bye-laws ?—The Surat Bank can do that.

7673. *The Chairman* : Is the Imperial Bank helping the Co-operative Movement to any great extent in these districts ?—Not much.

7674. Is it not giving overdrafts on the security of Government papers, or any cash credit to any of the district banks ?—On the contrary, I received complaints from the Broach District Bank that it did not get the facility.

7675. Does it not finance any other banks to your knowledge ?—Not the district banks.

(The witness withdrew.)

Mr. THAKORLAL HARKISANDAS MEHTA, Ankleshwar.

Replies to the Questionnaire.

(Summary of Replies to the Questionnaire in Gujarati.)

SECTION II.

QUESTION 1.—There are only ten merchants in Broach who can be called *shroffs*.

Only those who purchase and sell *hundis* and receive deposits and lend money should be regarded as *shroffs* and not others dealing in gold and silver, etc., although they also sometimes deal in *hundis*. People have lost credit on account of trade depression due to political as well as economic conditions of the country, and consequently, merchants and agriculturists have to suffer.

QUESTION 2.—Ordinarily the agriculturists or merchants wish to repay their debt but cannot do so. Or at times they have money and do not wish to repay debt. They therefore cannot raise a loan again and eventually such people turn out to be men without

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character. *Shroffs* do not generally lend money to agriculturists because there is no safety of their money on account of the Dekkhan Agriculturists' Relief Act. Agriculturists have, therefore, to go to *sowcars* instead of going to the *shroffs*, and according to hearsay these *sowcars* charge them exorbitant rates of interest. *Shroffs* while advancing money to the merchants of position for business purposes do not get anything in writing, do not ask for anything as security or get signature in the account book ; while they do so from ordinary merchants, *i.e.*, demand security or mortgage of either moveable or immoveable property.

QUESTION 3.—(a) It is impossible to get figures of profit and loss account of *shroffs* and merchants as they are not published every year as in the case of banks.

(b) In Ankleshwar *hundis* to the extent of about Rs. 15 lakhs in a year are dealt with.

(c) There is not much business connection of the *shroffs* with the banks in Ankleshwar.

(d) Not only that the *shroffs* do not get facilities from the Imperial Bank, but the Bank even does not distinguish between the ordinary customers and *shroffs*.

QUESTION 5.—There is no cash credit system amongst Indian *shroffs*. But after once opening an account a man can draw the amount according to his credit and property. The *shroffs* receive deposits at 6 per cent. and advance the money to other merchants.

QUESTION 6.—I am not aware of such system amongst the *shroffs* on this side. The merchants have to pay from 8 to 9 per cent. interest. If there is a real desire to benefit the agriculturists, landlords and merchants, and thereby the whole of India, the present crushing exchange ratio should be lowered. Ordinarily the Dekkhan Agriculturists' Relief Act should be cancelled as the condition of agriculturists has been worsened. There are many reasons for the decrease in *shroff's* business, such as, difficulties experienced in recovering money through courts and delays in the execution of decrees.

QUESTION 7.—Although there is no prejudice against the *shroffs* yet there is some ill-feeling. This native *shroffs'* business is decreasing owing to the competition of banks and such other institutions. Now the question is whether this diminishing business requires any protection or not. If no protection is necessary and if the *shroff's* business is allowed to continue as at present, it will naturally disappear of its own accord ; but in case it is found necessary to allow it to continue, the following facilities should be given to encourage the same.

1. The co-operative banks while selling the *hundis* should give more facilities to the *shroffs* than the ordinary customers ; and whenever these banks exist and such *hundis* business is going on, the rate should be fixed by a Local Association formed of those dealing in the line.

2. The stamp duty on *mudati hundis* should be done away with.

3. The present increased postal rate should be reduced to half an anna and a quarter of an anna.

QUESTION 8.—The following is the system of accounts and the books kept by the *shroffs*.

Day book, Ledger, Interest Account Book, Exchange Account Book, Register of *Hundis*, Account books of upcountry constituents, Address book and Profit and Loss Accounts book.

The books of account are open to the constituents who can inspect the books and ascertain their position.

There is a greater necessity of introducing measures for regulating the operations of *sowcars* such as Sindhis, Kabulis, etc., who advance money to agriculturists, than for *shroffs*.

There is a common belief now-a-days that *shroffs*, merchants, Sindhis, Pathans and Kabulis are all of one type of money-lenders and that they charge heavy rates of interest to agriculturists and others; but so long as the difference between these money-lenders is not cleared, this belief will continue to exist.

QUESTION 10.—Except in the Presidency town of the Bombay Presidency the branches of the Imperial Bank should be discontinued and the *shroff's* business as also the work of payment of salaries, pension, etc., to Government servants should be executed through the Local Associations formed as suggested in clause (1) of reply to question 7.

QUESTION 11.—There remains no such idle surplus with the *shroffs*. Only during the monsoon, *i.e.*, after the cotton season is over, there remains some surplus which is invested in the provincial banks, Government securities, cash certificates, etc.

If Government advance money at low rates of interest to the *shroffs'* Associations, the same can be advanced to the agriculturists and merchants with very little margin in districts and such amounts can be of great use to district people. It will be more convenient if such Associations are formed on co-operative principles.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am a *shroff*. I advance money to traders and not to agriculturists. I also do *hundi* business. I myself do not receive deposits, but other *shroffs* do receive. I do business on my own capital.

The Imperial Bank does not help the *shroffs* to any extent, and the branches of the Bank should be stopped. I think it would be better if the *shroffs* combine and form themselves into an association. When the association is registered, it will publish the accounts. The association will not be able to raise all the capital in the beginning, and therefore, Government should help it. The association would benefit the public, as it will advance money to traders at a low rate of interest. The association will also receive deposits.

The *shroffs* should be distinguished from *sowcars*. The *sowcars* advance money mostly to agriculturists, and the *shroffs* advance money to traders. Before the Dekkhan Agriculturists' Relief Act, the *shroffs* used to advance money to agriculturists. The other difference is that the *shroffs* do *hundi* business, which the *sowcars* do not. Moreover, there is a charge against the money-lenders that they charge exorbitant rates of interest, while the *shroffs* do not do that.

There are about ten pure *shroffs*, that is, doing only banking business, in Broach district; out of these ten, one is in Ankleshwar.

The *hundi* business in Ankleshwar amounts to about 15 lakhs of rupees. This business is done by the urban co-operative bank, the branch of the Broach Co-operative Bank and one *shroff*. The Imperial Bank does not do *hundi* business in Ankleshwar.

There are *choksis* in Ankleshwar. They buy and sell gold and silver ornaments.

In my opinion the Dekkhan Agriculturists' Relief Act should be abolished, as the rates of interest have gone up on account of the Act. The average rates of interest charged at

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present to traders are about 8 or 9 per cent. and to agriculturists 12 to 15 per cent. Formerly they were financed by *shroffs* at lower rates of interest.

We do not take any documents or promissory notes from traders while we advance money to them. We do not generally take lands or anything of that sort.

We do not get any facilities from the Imperial Bank. The merchants might be getting advances from the Bank. The Imperial Bank should distinguish *shroffs* from the ordinary customers, and should charge less rates to the *shroffs*.

The delay in execution of court decrees and the great expenditure for civil suits are some of the reasons why the *shroffs*' business has been dying out. I think, some sort of arbitration in case of *shroffi* transactions might do away with these difficulties.

Stamp duties on *mudati hundis* should be abolished, and that might revive these *hundis* and make them popular.

There should be a Local Association, the membership of which should be limited only to *shroffs* and merchants doing banking business.

The *sowcars* should be licensed, and they should publish their accounts. In case of *shroffs*, the proposed Association would publish the accounts.

There should be a Local Association of *shroffs* doing purely banking business for the whole district, but the different *shroffs* should look to different centres.

Our *pedhis* have connection with Bombay *pedhis*, and we get money from Bombay at about eight annas' interest. We remit money by means of *hundis* as we do not get any treasury facilities. If treasury facilities are given, they would be taken advantage of by *shroffs*.

The *shroffs*' Association would better be registered on co-operative bank basis, and there would be no objection if some restrictions are placed on the working of the Association. The Association would also publish the accounts.

(The witness withdrew.)

The written statement submitted for the Ankleshwar Nagrik Sahakari Bank, Ltd., by Mr. C. G. GANDHI, Chairman, and Mr. NAVNITLAL TRIBHOVANDAS, Managing Director, Taluka Banks.

Replies to the Questionnaire.

(Summary of Replies to the Questionnaire in Gujarati.)

We believe that at every *taluka* seat, there should be a *taluka* co-operative bank. There should be mixed representation on this as at present in the District Central Co-operative Bank. i.e., there should be such arrangement that an individual as well as societies can be a member. Such *taluka* banks should be members of the Provincial Co-operative Bank. This will give the following advantages :—

(1) There will be no necessity for the district banks and their branches as also urban banks and *taluka* supervising unions. This will stop the multiplication of institutions as *taluka* banks will work on the same lines as the abovementioned institutions.

(2) The administration will be safe and satisfactory. For instance the Board of Directorate of the Broach District Co-operative Bank is of 15 members out of which 5 are returned by individual members and 10 by the Societies; the result is that most of the loans are advanced to the people of Broach as they can approach the members in Broach who obtain sanction by a circular, and consequently the managing committee has to vote blindly for such loans. The work cannot be done in any other way. It is most undesirable to dispose of loan application which is the main business of the Bank in such haphazard manner. If there are *taluka* banks instead of these district banks, the meetings of the managing committee can be held at the *taluka* seat and it will be most convenient and inexpensive for the villagers as they have to go to the *taluka* town for some reason or the other. It will also be easy for the local representatives of the *taluka* to attend the meetings of the committee. Villagers as well as *taluka* people of one place are not so very well conversant with the affairs of the other *talukas* as they are for their own *taluka*. Whenever any loan application or any other application comes before the Board of Directors for consideration, there are only one or two members who have the knowledge of the particular *taluka*. Only such members give their considered vote while others have to vote indiscriminately.

(3) Time and money will be saved. Take the instance of Broach. In the Board of Director of the Broach District Bank, there are 10 members who reside out of Broach as stated above. If the *taluka* banks are formed there will be a saving in expenses for travelling and *bhatha* allowance as also of time to the outsiders.

(4) The Broach District Bank gets money at the rate of $4\frac{1}{2}$ per cent. as other banks get and it advances to the village societies at the rate of 7 per cent. These societies advance to their members at the rate of from $9\frac{3}{8}$ to $10\frac{1}{16}$ per cent. If the *taluka* banks are formed, they will be able to give loans to the village societies at the rate of 6 to $6\frac{1}{2}$ per cent. as in that case the *taluka* banks will not have to incur heavy expenditure on the maintenance of supervising unions maintained at present by the district banks. *Taluka* banks will have to incur very little expenditure for the allowances to the Directors. Similarly the village societies in their turn will be able to give loans to their members at the rate of 7 to 8 per cent. as they get the loans on a lower rate of interest and also because they will not have to contribute towards the expenses of the supervising unions. In this way *taluka* banks will be a great boon to the villagers as suggested by us.

In our opinion the agriculturists should be stopped from taking loan from anybody except from Government or co-operative societies. This can be done by enacting a law that no suit will be valid for the loans (either in kind or coin) given to agriculturists after certain date say 31st December 1930). Diwan Bahadur A. U. Malji also has expressed such opinion in his written evidence. Although Diwan Bahadur Malji has expressed that such a provision should be made in the bye-laws of the co-operative societies and that it should be for the members of the society only, we think that such a provision in the law for the general agricultural class will be more advantageous. In this respect we may point out that there being no check for incurring debts the agricultural indebtedness has increased and they have not been profited by the co-operative societies, and the co-operative society has become one more instrument as a *sowcar*.

The Dekkhan Agriculturists' Relief Act has been misused. Dishonesty has increased to a great extent. It has been very difficult for honest men to deal with others. The Act has been so framed that in this guise of farmers several dishonest people do not repay even the real debt. It is best if the farmers become free from debts; but the Dekkhan Agriculturists' Relief Act will not free them. They will be freed only when they are checked from incurring debt as suggested above. The Dekkhan Agriculturists' Relief Act has in several places increased the difficulties of an agriculturist. Now-a-days the *sowcars* when giving a loan on the security of land gets a sale deed instead of a mortgage for one and a half times the actual amount given; thus the farmer has to live upon the good will of a *sowcar*; therefore in our opinion the Dekkhan Agriculturists' Relief Act should be repealed except that portion for the provision of a village *munsif*.

The Provincial Insolvency Act plays a great part in increasing business immorality and reduce business. Many people easily do not pay their due debt and it has been a big question for merchant as to who should be taken as a solvent party and with whom to deal. Therefore, the sooner this Act which gives protection only to dishonest people is repealed the better, if morality and honesty is to be increased in the country. If it is impossible to repeal it wholly, it should be so amended that persons can take its advantage to get out of the difficulty only instead of their doing so every now and then.

The arrested debtor gets a daily allowance of eight annas in the civil jail and the creditor has to make arrangement for his bedding. Moreover, they have not to work in the jail, and therefore, some shameless debtors think civil jails as a comfort and the creditors suffer. Therefore the debtors should be given sufficient light work in the civil jail to earn their own livelihood.

CO-OPERATIVE INSTITUTE.—We opine that there is no necessity of such an institution. Our bank has to pay Rs. 35 per year for a fee and in return we are not profited by even 35 pies. This institution gets a grant of about Rs. 32,000 over and above a subscription of about Rs. 4,000 and donations from the liquidated societies. This amount is spent most liberally; about Rs. 2,750 are spent after allowances and railway fare to the members of the Committee and Council. The work done by this institute can easily be entrusted to the Registrar of Co-operative Societies. If this institution were abolished, this undue burden on the Government and eventually on the people may be lessened.

We desire to introduce vernacular language in the bank and keep also account books in vernacular.

The present concessions should continue and the following more concessions over and above those recommended by Diwan Bahadur Malji should be granted :—

(1) There should be no court fee stamps.

(2) A special *mamlatdar* should be appointed in every district to execute awards and orders of the liquidators of the co-operative societies.

The exemptions from court fee stamp should be given in the following two more cases :

(1) Sale certificate for the houses purchased by the societies in the auction by the court.

(2) Sale deeds of immoveable properties purchased by the societies from private parties.

We agree mostly to the written evidence of Diwan Bahadur Malji.

Minute of dissent by Mr. Navnilal Tribhovandas, Managing Director, the Ankleshwar Nagrik Sahakari Bank, Ltd.

Persons with income not exceeding certain amount (Rs. 1,000 to Rs. 2,000) only Members of Co-operative Societies. should be taken as members of co-operative societies. Otherwise in the name of the poor, big and rich persons might take advantage of the concessions given by Government.

The reason to exclude rich persons from these concessions is that Government has to increase taxation to compensate the loss due to such concessions. And as the rain water, wherever it may rain, eventually goes to the sea; similarly though apparently the burden of taxation may fall on particular class of people, it eventually affects the poor; this can be stopped by the abovementioned suggestion.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am the Managing Director of the Ankleshwar Nagrik Sahakari Bank, Ltd. We finance all residents of Ankleshwar, both agriculturists and traders. The other financing agencies in Ankleshwar are one urban bank, one *shroff* and *sowcars*.

The statement submitted to the Committee has been on behalf of the Bank. It has been prepared by myself and the Chairman, Mr. Ghandi. The minute of dissent is mine; as the Committee objected to it, I have sent it separately. In my opinion the co-operative societies should finance persons with small income say Rs. 1,000 to 2,000. Otherwise big persons would take advantage of certain concessions granted to societies by Government. The middle class people may be financed by joint stock banks.

At present there is a large surplus in the Bank. If the urban bank is converted into a *taluka* bank, we would not have large surplus, and there would be men with knowledge of local conditions.

If the agriculturists are to be redeemed from their debts, they should not be allowed to be financed by *sowcars* or *shroffs*. They should be financed either by Government or by co-operative societies. Government should give them *taccaci*, and they should be financed at cheap rates by utilising Government money from land revenue lying idle with the Imperial Bank. The agriculturists should also be advanced for their current agricultural needs.

The Dekkhan Agriculturists' Relief Act should be abolished. *Sowcars* have taken sale deeds instead of mortgage deeds, and advantage of section 10A should be given to them for their past transactions, but section 10A should not apply to future transactions.

The Provincial Insolvency Act should also be amended. At present people take an undue advantage of the Act.

People who take liquor and toddy should not be made members of the society. Such bye-laws should be properly enforced.

Certain concessions should be given to co-operative societies. The societies should be able to recover dues from members. There are overdues at present. Some responsibility should rest on the members of the managing committee, and they should be called upon to make good the loss.

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The Co-operative Institute should be abolished, as there is not much advantage from it. It does some propaganda work. Though our Bank pays Rs. 35 subscription, we do not get any benefit from the Institute.

There are Pathan money-lenders in my *taluka*. These money-lenders should be checked from advancing money to agriculturists, as they charge exorbitant rates of interest. The question should be thought of.

We do not lend more than two thousand rupees to an individual. I am not in favour of increasing the limit.

There should be a *taluka* bank in each district instead of opening branches of the district bank, as the *taluka* banks would be less expensive, and they would be able to advance money to agriculturists at low rates of interest.

In my opinion banking knowledge and education should be imparted through the medium of the vernacular language in schools or institutions, so that those who do not know the English language would be able to take advantage of banks, and the banks should also transact their business in the vernacular language.

At present there is delay in executing the court decrees. There should be a special *mamlatdar* appointed to assist the co-operative societies in recovering the dues.

(The witness withdrew.)

**Mr. HARILAL RATANRAM THANAKI, B.A., LL.B., District
Honorary Organiser, Co-operative Societies, Ankleshwar,
District Broach.**

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The Agriculturists have at present sources from which they draw necessary amounts for their expenses. They do not differentiate between their household and cultivating (their business) expenses. They take a loan whenever they are short of funds and the loan may be utilized for purposes other than those which they might have thought of at the time of taking the loan. In this respect it may be remarked that in villages where there are co-operative societies the people have now a tendency to regulate their loans and purposes. But the people, barring a few exceptions, generally have a resort to incurring debts any time of the year from the village *sowcars* and other merchants who supply them necessaries. It may be stated that village *sowcars* are a different class of indigenous bankers from the *shroffs* and banking firms. These *sowcars* mostly deal with the agriculturists of the villages. Some of them possess lands in the villages in which they deal and stay at the villages and some stay at the central village or *taluka* towns. Their method of business is different. Their rate of interest is generally higher and the method of recovery speedy, being on the spot and sometimes even harsh too.

In most cases the agriculturists have hardly any cash amount on their hands after the season is over unless the crops are exceptionally good and that too in the case of ordinarily big landholders. At the time of setting in of the rains the agriculturists approach their *sowcars* for loans for advancing to their servants engaged or to be engaged, and then as cultivation progresses they borrow various sums from *sowcars* as necessity

arises. They cannot and do not make estimates of the amounts that will be required for their agricultural needs and of this the *sowcars* can take advantage.

As regards capital and permanent improvements to land, it may be remarked that, excepting a very few enlightened big landholders, the agriculturists do not take up such work and incur expenses for the same and this seems to be due to poverty and ignorance as to the possibility, ways and means of improvements. As regards special needs, such as failure of monsoon, marriage expenses and other unforeseen expenses, the plight of the agriculturists is the worst. On such occasion they have to come completely under the control of their *sowcars* as such events are accidental and the need is greater and urgent. They have then to convey their lands to the *sowcars* either by sales with oral condition of mortgage or by a complete sale.

The rate of interest charged on the loans to the agriculturists depends on the security offered and the urgency of the loan. But generally the rate is from 12 per cent. to 24 per cent. and more. It often happens that the *sowcars* instead of fixing a rate of interest fix a certain sum, say Rs. 25 or Rs. 50, to be paid to him on every Rs. 100 at the time of repayment during season without any regard to the period of the loan. This amount is recovered by the *sowcars* even if the loan has been advanced only a month before the time of repayment. In some cases the *sowcars*, by pressing demands before the crops are ready or by other means, force the agriculturists to mortgage their standing crops.

The other kind of *sowcars*, viz., *shroffs* and banking firms, are slowly curtailing their business of lending amongst the agriculturists. The rate charged by them is ordinarily 9 to 12 per cent. and 15 per cent. in very rare instances. They are reluctant to deal with agriculturists owing to delays and difficulties in recovery created by the Dekkhan Agriculturists' Relief Act.

As regards co-operative banks lending money to agriculturists, it may be said that these banks have not affected the *sowcars*' dealings with the agriculturists to a great extent; and the main reason seems to be that the agriculturists are not able to get the adequate finance, as promptly and with as much facility from co-operative banks as from the *sowcars*. Further, the *sowcar* is on the spot and prepared to take some risk in the business in order to obtain the higher rate of interest, and he being his own master can make changes in his mode of dealing with them as circumstances require. While on the other hand, the co-operative banks have their fixed system of dealings with the societies and the loan applications have to undergo some essential formalities. It may, here, be argued that if the loan application be made early fixing the maximum credits of the members and the dates on which loans are required, the question of delay may be solved. The co-operative bank has been doing its utmost to solve this problem, but the matter has not been yet fully solved and that every solution may tend to become a difficulty in itself. Here it may be said that the method the co-operative bank employs may be better in the interests of the agriculturists but, to take the facts as they are, the situation is difficult. To require the agriculturists to estimate correctly their requirements of the ensuing year some months previous to the actual cultivating season is a very hard task for them. The rains are also uncertain and the agriculturists have much to do with the rains in estimating their requirements. Sometimes they have to take out one kind of crop and sow another if that becomes necessary owing to late or early rains. Sometimes they require larger amounts for weeding purpose if rains are continuous at a particular period of the

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cultivating time. Further, there are other household expenses about which they cannot give estimates or certainty. Under such state of affairs the agriculturists, though they get finance for their agriculture, do not stop their dealings with the *sowcars*; and in some rare instances it happens that the agriculturist takes loans from *sowcars* with a promise to repay the same after he gets a loan from the society and sometimes does a reverse of this. As remarked above the co-operative bank, having now some representation of the village societies on the managing committee, tries to remove the various difficulties. The co-operative bank in this district has now opened branches and the supervising unions are coming into existence, and it is hoped that if the supervising unions make thorough inquiry before recommending the loan in good times, and the bank puts confidence on their work and accepts the recommendations, the difficulty will be solved to some extent.

QUESTION 2.—Cotton is the main crop of the agriculturists in this district. The agriculturist, in ordinary course, take their cotton to the ginning factories and make the bargains on the spot. The gin-owners have their agents who visit villages and make contracts at the villages and then bring the unginmed cotton to the ginning factories. Many agriculturists complain of the unfair, and sometimes harsh, treatment they receive at the ginning factories; but for want of better facilities and owing to the tempting rates offered by the gin-owners soon after the beginning of the season, these agriculturists put up with this sort of treatment.

There are some cotton sale societies in this district but their growth is not as yet so marked as to encompass a large number of the agriculturists. There is one cotton sale society at Sajod, managed successfully by Mr. Y. R. Joshi, B. Ag., T. H.O., and looking to the working of the said society, it may be said that if special attention is given to that propaganda, better facilities for the sale of their goods are created and efficient, sincere more workers are available, such societies have a good scope. The said society thinks of having a co-operative ginning factory, but the progress of work in that direction is hampered by the failure of crops last year.

QUESTION 3.—The value of the land in Ankleshwar *taluka* varies from Rs. 100 per acre to Rs. 500 to 600 per acre. The *bet* lands are of a higher value. There are many factors which affect the value of lands and the main factors are (1) the nature of the soil, (2) the tenure of the land, (3) the distance of the land from the village, (4) the provision of well or other water facilities, (5) the population of the village and (6) the nature of the people inhabiting the village. The values also fluctuate with the earning of the previous seasons. It may be remarked that though there are all these factors there is one K, a constant figure, in this value and that is the value of the permanent possession and the amount represented by K depends on the capacity of the soil to outturn the crops. The values settled at sales between private persons are proper index to values rather than those obtained at Government auction sales and court sales at which the values are often lower than the fair value. At such sales, except in the villages where there is great disunion, it is difficult to find purchasers and sometimes *benami* purchases are made. In this connection it will not be out of place to discuss one aspect of the value of the land. If in order to find out the value of a particular land, the values mentioned in the sale-deeds on record are considered, it will be difficult to arrive at a correct price and this is due to the operation of the Dekkhan Agriculturists' Relief Act. These sale-deeds may be very often ostensible sales with a condition of mortgage and the amounts mentioned as the sale price may be the amounts of the loans advanced. Sometimes it happens that the vendor manages to get a mention of a higher price than actually paid in the document to avoid

a further trouble of being dragged into court by the vendor for redemption. Under these state of affairs it is very difficult to get a correct valuation of land, and specially when such valuation is necessary for the mortgage of the lands to a co-operative society or a land mortgage bank. Again there is another difficulty in affecting sales of agricultural lands due to the operation of the Dekkhan Agriculturists' Relief Act. How can real purchaser be sure of his title to the land? How can he avoid a disturbance by his vendor in future? The vendor or his heirs, if the prices increase after lapse of some years, will ask for redemption. This difficulty works unfavourably on both the sides. It may here be suggested that this difficulty may be solved if an official record of fair minimum prices of lands in each of the different localities in each of the villages is maintained and the same is revised every two years and if the sales below the recorded prices are declared to be mortgages and the revenue authorities are authorized to inquire into the prices paid before recording the sales in their record to effect transfers.

QUESTION 5.—It is very difficult to reach a correct estimate of the indebtedness. To reach to some approximate estimate it may be suggested that some typical villages in the district be selected for special inquiry and paid workers be employed to get the facts from the village itself and from the *sowcars* and merchants who have dealings with the villages and then from averages of such villages an estimate of the indebtedness of the whole district be obtained. As for Broach district Mr. Gulabbhai Morarj Naik, B.A., has tried to put the indebtedness of the Broach district at rupees nine crores. Some idea of the indebtedness may be had from the working of the Broach District Co-operative Land Mortgage Society, Ltd.

The indebtedness of the agriculturist does deprive him of his lands by slow process. The *sowcars* who deal with agriculturists have generally a motive to possess lands so that his investments may become safer. In cases of agriculturists who have begun to incur debts and who hold lands they involve them into more and more debts by allowing interest to accrue and advancing fresh loans from time to time. In course of time they take lands in mortgage by ostensible sale-deeds and on further pressure they get the sale of the same land to them. It may be observed that this process does not work very effectively in villages where the co-operative societies exist as the agriculturists, when reduced to this state, would prefer the co-operative society to a *sowcar*.

QUESTION 7.—Some of the difficulties have been discussed above in answer to Question 1 Further it may be remarked that the societies of the villages situated in the interior find it very difficult and costly to transact business with the district bank and its branches, and specially on this side, societies in Hansot Mahal find it very costly to remit and receive the amounts of the loan, there being no treasury at the *Mahalkari's* office. The loan bonds are at present executed before the bank's officers at the bank or at its branches and the people have to travel a long distance. This work can be simplified if the bank can allow the documents to be executed before the Supervisor of the Union and the amounts be put in current accounts so that the societies may draw the same by cheques. Further, as remarked above there are many formalities and the supervision sometimes becomes manifold, and it may be said that too much of control and supervision may mar the efficiency. As regards the question whether the Co-operative Movement has succeeded in meeting the financial needs of the agriculturists, it may be said that the co-operative credit societies have not as yet displaced the village *sowcars* and, as already remarked, the societies working on the system regulated by the Act, rules and bye-laws

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cannot take the place of the *sowcars* who are masters of their business and can adjust their dealings from time to time as circumstances require. Again big landholders cannot conveniently take advantage of the village societies, and it may be suggested that a different type of society in a *taluka* or group of villages may be organised to suit their requirements. In view of the fact that the working capital of the societies and the number of members in the societies are on an increase, it may be inferred that the Movement is supplying the agriculturists' needs to a large extent, but if it is asked whether the agriculturists are adequately financed, the answer cannot be in the affirmative. A charge is often levelled by some persons at the Co-operative Movement that it has increased the indebtedness of the agriculturists inasmuch as it serves a purpose of one more *sowcar*, a convenient source for the agriculturists to incur further debts; but this not a true statement, and to realise the correct situation such persons ought to take active part in the working of the Movement for some long time. The indebtedness of the agriculturists seems to have increased, but there are various causes and some of them are :—

1. Uneconomic holdings.
2. Uneconomic management of the agricultural business.
3. The growing tendency to increase the cost of living.
4. The ignorance as to their real marginal earnings from their business.
5. And lastly the most important fact that the agriculturists do not get the full value of their main crops due to unfair exchange ratio.

The prices of the chief crops of the agriculturists are regulated and controlled by the prices fixed in foreign markets and foreign money. This entails a great loss to the agriculturists. Again, want of a side industry to engage the spare time also tends to increase indebtedness. As regards the side industries, in answer to question 6, it may here be remarked that spinning and handlooms are most convenient and suitable to the agriculturists in their present state of development, but in areas where other more profitable side industries can be introduced owing to some special different circumstances, that would also be welcome. From this point of view it will appear that the real causes for the increase of the indebtedness are quite different, and in the midst of these circumstances the Co-operative Movement is rather a relieving feature.

QUESTION 8.—In consideration of this subject, if we look back to the relations that existed between the *sowcar* and the borrower before the Dekkhan Agriculturists' Relief Act came into operation, we get an impression that those were more cordial than those existing at present. The Dekkhan Agriculturists' Relief Act seems to be one of the factors affecting this change in relations. It may be admitted that the said Act did confer some benefits at the time of its application in Gujerat to the agriculturists; but as soon as the *sowcars* have seen through the provisions of the Act, they have made a change in their dealing to meet the situation; and now it may be said that the agriculturists do not reap any substantial benefit by the operation of the Act, on the contrary, their credit with good *sowcars* have ceased. Many of them have stopped dealings with the agriculturists. The main sections of the Act regarding accounts and instalments though appear to relieve the agriculturists, but in fact do not do it as the *sowcars* now have learnt to provide against this and take an undue advantage of the Act. This specially, often, happens in case of section 10A of the Act. As regards exemption from arrest, it may be said that the agriculturists have been made happy; but the very fact has gone to increase their indebtedness, as the *sowcar* who is always

strict in enforcing repayment at promised time is better than the *sowcar* who allows his debtor to involve more and more in his debts. As regards the village *musiffs* it may be remarked that this section is also not necessary. It may serve to make the litigation less costly, but from the point of justice to be obtained, it may be better if the civil courts are entrusted with such claims, and in no case the village *musiff's* jurisdiction should extend to claims of more than rupees 10. If it is desired that the credit of the agriculturists which is at present mostly impaired, say almost lost, is to be revived, the operation of the Dekkhan Agriculturists' Relief Act should be stopped at least in Gujerat.

SECTION III.

1. The Imperial Bank and other joint stock banks have of late begun to open their branches in large cities and urban areas outside Bombay. Besides these co-operative urban banks have been organised in cities and *taluka* towns and they do serve the purpose of helping merchant class and other traders to some extent. But it cannot be emphatically said that all these banking institutions combined do all the banking business and reach to the smallest of industrialist or the trader. In Gujerat mostly the urban banks have surplus funds more than they utilize in the area of operation to relieve and help the whole class of traders and industrialists. These may be due to various sorts of necessary restrictions put on their working. Even capital from urban and *taluka* town areas flows outside towards Bombay in form of investments in shares and stocks of other limited concerns. There are various reasons for this state of affairs. Some of these seems to be failure of crops and consequent slump in local trade, want of confidence in local individual tradesman, failure of local traders due to inefficient and uneconomic management of business so as not to be able to bear up even low sales in one year and the tendency on the part of money-lender to take not the least risk in investment in industries. The result of all this is that the captial flows outside and local existing industries do not thrive and other industries have no scope to establish. It is not the capital that is wanted but to develop more and more banking institutions with few restrictions and which are prepared to do business on the lines of indigenious money-lenders even taking some ordinary risk necessary and usual to this sort of business.

2. As regards means or institution for encouraging savings it may be noted that the people take very good advantage of the postal savings banks and cash certificates. In urban areas the urban banks attract significant amounts of the people's savings. The rural population mostly utilize their savings in buying new lands and in investing in gold ornaments as they are considered very safe, and the former kind of investment becomes productive and takes the place of means of permanent provision to the family. The villages in which co-operative credit societies exist, the savings are encouraged by the compulsory deposit system and it has proved beneficial in many cases so that in societies of some long standing the members have to their credit amounts equal to the amount required for their current agricultural needs.

3. As regards the influence of insurance societies it may be noted that the village population have as yet not taken to this sort of saving any appreciable extent. One or two men in some of the villages bordering on the *taluka* town may have insured their lives, but the spread of the life insurance is not so much as the people might be attracted to this system of saving. This is the best system of savings if people are brought to it

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by propaganda of life insurance literature and affording the due facilities to the agriculturist. This will also serve as a protection against many risks of money that the agriculturists are apt to. There are few companies which take insurance for an amount of less than Rs. 1,000, and again the people of the villages think it a very hard job to obtain the insurance claim they being ignorant and far away from the *taluka* towns and thinking that they will not be able to supply all satisfactory proof of death, medical practitioners being far from the villages. It seems very necessary that a co-operative insurance society should be organised with all facilities to agriculturists and with liberal conditions suitable to the rural areas. This work can well be managed at a low cost if managed through the existing societies.

4. As regards other forms of insurance, insurance against fire, cattle mortality, accident, frost, it may be said that hardly any attempts are being made in this direction specially in the villages. There are no definite schemes for insurance of these kinds in the village area. As regards the other insurance except fire, there are no companies to take such risk in existence at present. It may be mentioned here that there exists one cattle insurance society at *Ankleshwar* which does good at present. In the beginning insurance was made compulsory but now there are instances of people voluntarily insuring their cattle after experience of the system and taking advantages of this system. In the last general meeting of the said cattle insurance society a question was raised to introduce a method of taking risk of accident to cattle as the people now realize that they must assure their cattle and their work throughout season. This shows how the people, if once they understand a system of insurance, are ready to pick up and take advantage of the system.

Further it may be suggested that company for insuring the risks of crops be formed on large scale at Bombay to provide the farmers against losses often caused to them by famines and failure of crops and the Government be also interested in this scheme inasmuch as their revenue is concerned.

Oral Evidence.

7676. *The Chairman*: Mr. Thanaki, you are the District Honorary Organiser of Co-operative Societies, Broach?—I am the District Honorary Organiser of Co-operative Societies in *Ankleshwar* and *Hansot Mahal*.

7677. You are also a practising pleader?—Yes.

7678. For how many years have you been doing co-operative work?—For about ten years.

7679. From your statement I get the impression that the Co-operative Movement is not working well in *Ankleshwar taluka*; is this a correct impression?—Not as regards the *Ankleshwar taluka* itself.

7680. You say that agriculturists are not adequately financed and do not get the same facilities as *sowcars* give them?—This is a general remark for the whole district.

7681. Are you in touch with the Movement in the whole district?—Yes. I am also in the District Bank. Inadequate finance is the main difficulty.

7682. But your bank has a large surplus, why is it that societies are not adequately financed?—The fact is that for adequate financing the bank must be free to do so. It is governed, on the contrary, by certain rules and regulations. It must be free to lend to

agriculturists as *sowcars* and others do. The other difficulty is that an agriculturist is not enlightened enough to give out his needs. Also it takes time for him to get his loan.

7683. Will it not be possible for the bank to sanction the general credit for the whole year and then receive applications from time to time for modifying it according to various circumstances?—There is this difference. As understood by the Department and by the bank the maximum credit is fixed according to the requirement of a member. The other way is, looking to the position of a man, the maximum credit is fixed. I say that a maximum credit can be given according to his demands.

7684. But do you not think that in that case there is the danger of a man borrowing more than his needs and getting into more debt?—Yes, there is this danger.

7685. Would it be possible from your experience as a director of the bank, for the bank to fix a credit for the whole year and then modify it from time to time according to various circumstances during every quarter?—Yes, a part of the difficulty will be solved.

7686. Is the finance sanctioned timely? Does the member of a society get money at the time he requires it for the different purposes?—The delay which was caused ordinarily is now being lessened. It requires to be lessened still more. Things are improving now.

7687. As regards the managing committees of these societies, do you think that they are working well?—No. In some cases they are working well and in others we find difficulties.

7688. Who supervises the work of the societies? As regards Ankleshwar there is the Union. Have you a supervisor and an inspector?—Yes.

7689. Are they trained men?—The Supervisor is a trained man and the Inspector is a man of about 25 years' experience in co-operative societies.

7690. Does the approval of loan applications depend upon the report of the Supervisor?—Yes. The Supervisor looks into the forms and reports looking to other assets and liabilities, and if necessary, he will personally go into the village from where the application has come and enquire into the facts. It will be sent to the committee of the union and it goes to the Bank for final disposal.

7691. Does the bank send the application to the bank's inspector also?—No.

7692. What time does ordinarily elapse between the date of the application sent by a society and the date of its sanction by the bank?—It does take a month or more than a month.

7693. Is this because the supervisor has to go to the village and check it?—The secretaries are not trained well, and they do not give all the information that is required.

7694. Do you say that the villagers usually do not know how to state their requirements?—Yes; all of them are not enlightened enough to give even an approximate idea.

7695. In your *taluka* is there room for land improvement of any kind?—Yes, there is room.

7696. For wells?—Yes.

7697. Is there no room for levelling or for bunding?—There is much room for wells;

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7698. Why do they not take advantage of long-term loans ?—People hardly know about it. There is not sufficient propaganda in this direction. They do not know how to approach a person.

7699. Could they not approach through societies for loan for land improvement ? Perhaps they do not feel the need for land improvement ?—They do not think of improving. They have no idea as to how to improve the land. Unless some one goes and tells them to replace such and such a thing, they do not think of it.

7700. Does not this mean that more propaganda and education are required ?—Yes.

7701. Suppose that such a propaganda is carried out, would there be sufficient finance available to meet the demands that will arise ?—Yes. The land mortgage bank can advance them for long-term requirements.

7702. In the case of failure of monsoon, marriage expenses and other so-called necessities, is a good member forced to go to a *sowcar* or the society finances him for all his needs ?—The difficulty is that he cannot foresee things as to what will happen.

7703. Would he not foresee things in a month or two ahead ?—He will foresee things a month in advance. There are several factors that come in his way. When he feels the need for finance he goes to a society, but it takes a long time for him to get the money, viz., about two months. Therefore it does sometimes happen that after a marriage is celebrated he may take a loan and again he might have required some extra amount.

7704. Could not the process be expedited ?—It can be expedited.

7705. Do you think that a good member should not be forced to go to *sowcars* if it is found that finance in his case is necessary ?—Yes ; I say that all members should be adequately financed for all purposes.

7706. You say : “ It often happens that the *sowcars* instead of fixing a rate of interest fix a certain sum, say Rs. 25 or Rs. 50, to be paid to him on every Rs. 100 at the time of repayment during season without any regard to the period of the loan. This amount is recovered by the *sowcars* even if the loan has been advanced only a month before the time of repayment ”. Under what circumstances do they have to pay this amount ?—What happens is that if an agriculturist wants money to-day he is paid to-day and he promises to pay in the month of March. There is no rate of interest fixed with him. Therefore he has to pay Rs. 25 or Rs. 50 for every Rs. 100.

7707. Why does he accept such terms ? Cannot he get at 12 per cent. from an ordinary money-lender ?—No.

7708. Is there no competition amongst the *sowcars* at all ?—Ordinarily they get at 10 or 12 per cent. but for short-term loans they have to pay Rs. 25 or Rs. 50 for every Rs. 100. As I have mentioned, the agriculturists have no idea about loans. They incur loans whenever they want. They take loans from *sowcars* in June ; after this they take loans in September, and again when they go to *sowcars* the *sowcars* tell them that they will have a charge on their produce in which case they will advance. They go therefore to such persons who will advance even under these circumstances.

7709. Is there a branch of the Broach Bank at Ankleshwar ?—Yes.

7710. Does it finance societies ?—No ; loans are sanctioned by the bank and they are given by the Ankleshwar branch.

7711. What is the system of advancing loans to societies ? Do they come to the branch bank and take the amount in lump ?—No. It is important in this way that the loans

are sanctioned by the bank at Broach, and then the branch at Ankleshwar is informed; afterwards they would pass a document; and for the purpose of executing the document, three men have to come to the branch.

7712. Would it not be possible to do it in some other way?—Instead of three persons coming from the village to the branch to execute the document the supervisor can go to the village and get it executed by them and their signatures attested.

7713. Are these three persons usually literate?—No. They can read the document and sign only.

7714. As regards marketing in Ankleshwar does the agriculturist usually bring his cotton to Ankleshwar?—There is no cotton market. They sell to gin-owners.

7715. How many gins are there?—Three.

7716. Are there no other merchants who buy cotton?—There are very few merchants.

7717. Are they small merchants?—Yes.

7718. Is most of the stock purchased by gin-owners? Do the agriculturists themselves bring the cotton to gin-owners?—There are two ways. Sometimes they are bought through *dalals* who go to villages and bring it, and at other times the producers bring it to gin-owners.

7719. Whose *dalals* are they?—Gin-owners'.

7720. When they purchase cotton do they make immediate payments to agriculturists?—No. Simply they get the contract signed by agriculturists, in which the rate is mentioned. If the agriculturist goes with his cotton to the gin-owner the gin-owner may say "I do not want your cotton".

7721. Does this often happen?—It often happens when the rates are fluctuating in the market.

7722. If the rate goes up, does not the agriculturist get extra profit?—No.

7723. Does he suffer a loss if the rate goes down?—Yes.

7724. Do agriculturists bring cotton direct to the gin-owner?—Yes.

7725. Do you think that more cotton is bought in villages, or do you think that more cotton is brought by agriculturists to gin-owners?—More cotton is bought in villages.

7726. Do the *dalals* settle the same rate in the villages as is obtainable in Ankleshwar?—The condition is that he has to take the cotton to the ginnery.

7727. Do they get the same rate or a lesser rate than what is fixed in the village?—Ordinarily they get the same rate.

7728. Is there competition amongst buyers in Ankleshwar, amongst these gin-owners?—On some occasions there is competition. When one gin-owner has not bought sufficient quantity for his gin, then the competition arises.

7729. Have the gin-owners an association for fixing prices?—Yes.

7730. Not for purchasing?—No.

7731. But is there competition for purchase?—Very little.

7732. Does the interest of the cotton producer suffer for want of competition?—Yes. For instance, what happens is, if one gin-owner refuses to accept the cotton the producer

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has to go to another gin-owner and he offers less than what was offered by the first gin-owner. Instead of taking it back to his village, the producer sells it off.

7733. Are there any warehouses or godowns for storing cotton at Ankleshwar?—No.

7734. Do you think that such warehouses or godowns would be of advantage for the cultivator so that he can store his cotton?—This will improve the situation.

7735. To whom would he sell it afterwards? Would he sell it to one of the gin-owners?—When they bring cotton, they do not want an advance from the bank but they understand that they want to sell it off immediately. This is the difficulty which comes in the way of an organization of a cotton society. They do not want that their cotton should be kept there for sale. They want that it should be sold as soon as possible lest the rate may even go down.

7736. Or the rate may go up?—They do not want to take that chance. The rate often goes down.

7737. You say: "As for the Broach district Mr. Gulabhai Morarji Naik, B.A., has tried to put the indebtedness of the Broach district at rupees nine crores"?—I have seen an article in the "Vikas" where he has adopted some methods by which he has arrived at this figure. I shall send you this cutting.

7738. You say that there is no sub-treasury in Hansot Mahal. Are *hundis* available?—No.

7739. They have to bring cash and pay motor charges, etc.?—Yes, the whole Mahal is affected. There is one society in Dhamrad and members have to come to Hansot Mahal and then to Ankleshwar and it takes nearly 2 or 3 days.

7740. Is there no other alternative?—No.

7741. Can you suggest any alternative?—The Mahalkari's office should be given the treasury or the treasury work should be done by the Hansot Mahal Urban Co-operative Bank.

7742. Is there no treasury in Hansot Mahal?—No. Therefore, if the whole work is transferred to the Urban Bank at Hansot Mahal, it can do the Government work also.

7743. It means that a sub-treasury should be started there?—Yes.

7744. What is the Society's capital now?—It is in its infancy to-day. It is about Rs. 5,000.

7745. You speak about the Dekkhan Agriculturists' Relief Act. Do you think that it should be abolished?—Yes; this is my opinion.

7746. On the same page you say: "As regards the village *munsiffs* it may be remarked that this section is also not necessary". We have heard two or three witnesses who hold a contrary opinion. Have you any special reason for saying that this section is also not necessary?—The thing is that it often happens that some persons may not be so qualified and the justice may be miscarried because lawyers are not allowed to practise at village *munsiff's* courts. If there is some technical point the village *munsiff* is not in a position to understand it and thus he establishes the contentions of the money-lender against the defendant. This might become a step for other things also. Therefore he cannot be trusted.

7747. Does this happen here?—Yes,

7748. But on the other hand it would be costly to file a suit for only Rs. 15 or Rs. 20 ?—There are village *munsiffs* in Ankleshwar. But this is my point of view that this section is not necessary.

7749. Are there many savings accounts in any of your village societies ?—No.

7750. Are your deposits mostly compulsory deposits ?—Yes.

7751. Are there no voluntary deposits ?—No. There are very rare instances.

7752. But even the compulsory deposit system has been beneficial ?—Only in old societies they have Rs. 300 or Rs. 500 on their accounts.

7753. It seems your cattle insurance society is popular ?—Yes.

7754. Are people coming of their own accord to insure their cattle ?—Yes, for the last two years it is so.

7755. Is this due to any particular cause or have they found it beneficial ?—They have found it out beneficial.

7756. Are large amounts taken for cattle from co-operative societies ?—There are members who have taken loans for purchasing cattle.

7757. Do you expect them to insure their cattle with the insurance society ?—I would wish it.

7758. *Professor Kale* : Is it your impression that agricultural indebtedness has increased during the last few years ?—Yes, it has increased during the last five or seven years.

7759. If there had been no co-operative societies probably it would have increased still more ?—I would not agree with this view. What I say is that if co-operative societies were not there, perhaps the lands which they hold now would have passed to the *sowcars*, but I do not attribute this to be the only cause of their indebtedness. The societies have saved them, and for the increase of their indebtedness I have mentioned many other causes also.

7760. Are there many instances in your *taluka* of lands having passed from the hands of cultivators into the hands of *sowcars* ?—The process goes on every year.

7761. Have you any statistics on this point ?—No.

7762. Is it then your general impression ?—Yes, they are from the documents and other things.

7763. *The Chairman* : Does the *bhagdari* tenure prevail in your *taluka* to any great extent ?—No ; there are only two or three villages.

7764. *Professor Kale* : You say : “ The other kind of *sowcars*, namely, *shroffs* and banking firms are slowly curtailing their business of lending amongst the agriculturists ”. Is their place being taken by co-operative societies ?—Yes, and also by *sowcars*. Now another class has arisen in villages in place of *shroffs* who are curtailing their business with agriculturists. They are the Pathan *sowcars* who may be Hindus.

7765. Has the District Bank of Broach large business in Hansot Mahal ?—Yes.

7866. Has it considered the opening of a branch there ?—This question is being considered.

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7767. If a branch is opened, will it solve a part of your difficulty?—Yes.

7768. *Mr. V. L. Mehta* : Is it a general complaint on your side that adequate finance is not made available because there are loan limits beyond which an individual cannot borrow and it is difficult to get the limits raised or to have special limits sanctioned or are there no such complaints in these parts?—There is a complaint that adequate finance is not available.

7769. But there is not much inconvenience felt on account of delays or refusal to raise limits or to sanction special limits?—For the last two years it has been cured. These delays are being removed.

7770. With regard to the granting of loans promptly, has the District Bank any system under which societies in your Ankleshwar *taluka* can draw money under the old credit?—No, it cannot draw against the old credit.

7771. Suppose in 1924 a limit has been fixed, the recoveries are expected in March-April, and in the meantime if the society wants some money, is there any system by which it can get finance under the old credit?—No.

7772. Is there any system of giving payment to members of societies by means of cheques or is a lump sum taken away from Ankleshwar and distributed at the village? Is there no system of having a current account and drawing cheques on current account?—After the bonds are signed the whole amount is put into current account. Instead of giving the loan to a member personally he will get it through the secretary.

7773. You said that the preparation of normal credit statements is rather too elaborate a process for agriculturists. But you would not like to do away with it altogether; would you?—That may be; and from the agriculturist's point of view, I say, it ought to be simplified.

7774. I think you said that it has an educative value?—Yes.

7775. And so you would not like to do away with it, but you would like to simplify it and make it still more popular?—Yes.

7776. *Mr. Kamat* : When giving a loan to an agriculturist do you ask him to declare his previous borrowings from his *sowcars*?—No.

7777. Would it be a feasible proposition for societies before they give any loans to ask agriculturists to sign a declaration on a form showing what their previous debts may be from their *sowcars*?—It may be a good thing but it will not be practicable. People will not submit to it. The members will be unwilling to submit to this condition unless some propaganda is there.

7778. But if this could be done, one convenience would be that you would be able to find out the indebtedness of a man?—Yes.

7779. And secondly, also to inform the *sowcar* of the loan that you give to a member so that he may also know the position of the borrower so that there will be a sort of co-ordination between societies and a *sowcar*. If this could be done you will secure two advantages: (1) you will be able to find out the total indebtedness at least of those who join societies and (2) you would secure co-ordination between *sowcars* and co-operative societies by a further step, namely, by informing the *sowcar* about the debts borrowed from the society as contained in the declaration form so that the *sowcar* may know the position of the agriculturists who borrows from him?—Another

question will arise. The *sowcars* will not be willing to disclose the information as to what their lending rate is and so on.

7780. All the *sowcars* will not be willing to give such information, you mean?—Perhaps.

7781. The point is not whether a *sowcar* will like this step or not. The point is whether you would like to have co-ordination, and if so, whether this method is feasible?—We would like to have co-ordination with them.

7782. And the question is whether this will be a suitable or an unsuitable method of co-ordination. If a society refused to give a loan before such a declaration is made by a member, would such a declaration, if made, secure co-ordination?—Yes.

7783. The man who wants to borrow and who comes to borrow will have to make a declaration. Would he care to come to you if this declaration is made compulsory?—No, he will not come.

7784. Practically the result will be that he will not come to the society at all?—Yes.

7785. Do you think that the idea of a co-operative insurance society will be a workable scheme in villages?—I think so because I am working as an insurance agent also. I have gone for this work in villages and I know there are two difficulties, which come in my way. They are afraid whether they will get back the money or not.

7786. Have they no confidence in co-operative insurance companies?—No. They think that perhaps they will not get their money back. Another thing is most of the companies do not take insurance for less than Rs. 1,000. These two difficulties come in my way in organizing a co-operative insurance society.

7787. This is the real aspect of the question which we have to consider if we wish to teach the methods of savings to agriculturists. Would it be possible to have an insurance society willing to give facilities such as a lower limited insurance policy for Rs. 500 and also a further concession that the death claim should be certified not by doctors who cannot go to villages but even by village officers?—It will be simply good. After these facilities, with a certain amount of propaganda work some villages would be willing to take policies.

7788. Suppose a policy of Rs. 500 requires an annual premium of say Rs. 20 or Rs. 25 according to the age, will many people in the villages be able to save this much from their earnings in order to keep the policy in force for a number of years?—The money may be taken either at the season in certain villages. In other villages there are those who have cattle and buffaloes and who get daily income. There are certain agriculturists who have this milk industry and they get their bills cashed every month. So we can fix their instalments according to their season. This can be done.

7789. What I want to know from you is whether this saving of Rs. 20 or Rs. 25 per annum could be secured by cultivators from year to year in spite of seasonal difficulties?—Yes.

7790. You told us that *dalals* go to the village and sometimes they take a document from the farmers and do not give any receipt to them, and then the buyer in the gin goes back upon the contract and the poor villager has no remedy. Have public-spirited lawyers like you made any example of delinquents by prosecuting them?—The persons who suffer never complain. They fear that they will be harassed, and so they are afraid of complaining. I had an incident of a man who had come to me saying that he was beaten by

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a gin-owner. I told him to lodge a complaint, but he said that the man was a capitalist and that he would not like to do it because in the next year he would be harassed.

7791. Apart from the customary extortions, are there any actually illegal methods under which the grower has to part with his cotton?—There are also instances of harshness meted to agriculturists.

7792. *The Chairman*: Are postal cash certificates popular in the villages in your *taluka*?—I cannot say definitely.

7793. Do people deposit in postal savings banks?—Yes.

7794. Do people from villages deposit in postal savings banks?—Very few agriculturists do so.

7795. In your courts when land is ordered to be sold for payment of debt, is the whole land or is only a piece valuable enough to meet the amount of the debt ordered to be sold? What is the usual practice?—This is of course for the Collector to decide because the decrees are executed by him. I think, only that much portion of the land is sold which will meet the amount of the debt.

(The witness withdrew.)

Mr. MOOSABHAI HASANBHAI of Broach.

(*Summary of Replies to the Questionnaire in Gujarati.*)

The co-operative banks advance funds against lands to the extent of 50 per cent. of the value. Unless the limit is extended to 75 per cent. the agriculturists are not likely to derive any benefit.

The value of land in this district is Rs. 150 to Rs. 250 per acre. Inferior land can be had for Rs. 100 per acre.

Government put to auction the whole plot of land even though the arrears of revenue can be cleared by the sale of a portion only.

Oral Evidence.

(*Summary of Oral Evidence in Gujarati.*)

I am a Director of the Broach Co-operative Bank and the Chairman of the Sammi Vilayat Society. There are two hundred members of the society. Our capital is Rs. 18,000 and the reserve fund is Rs. 7,000. The limit of each member is Rs. 500 up to which amount he is financed. No special limits are sanctioned. For big agriculturists the limit is too small and therefore they have to go to the *sowcars*. Out of two hundred members most of them have to go to the *sowcars* because of bad years. In good season many members have not to go to the *sowcars*. The members first pay the Government assessment and then they pay the *sowcars* and the societies. When there are two or three consecutive bad seasons, the co-operative society does not advance loans to members. In *Vagla taluka* there is scarcity of water and the agriculturists suffer on account of want of sufficient water. The agriculturists can get money twice or thrice a year up to the limit sanctioned. Our society is "A" class society, but the bank does not advance more

than the limit fixed. I would suggest that individual limits of agriculturists should be fixed according to their credit, and loans should be advanced to them according to the security of land, etc.

There is *bhagdari* tenure in my village. It is advantageous as it is unalienable, and the *sowcars* cannot get the land from the agriculturists. The *bhagdari* tenure should not be abolished, as otherwise the agriculturists would lose their lands. Government put to auction the whole plot of land when the land revenue is not paid.

The agriculturists do spend money on marriage and death ceremonies, but the expenditure is now reduced because people have no money.

I suggest that the limit of Rs. 500 should be increased to about Rs. 1,000 in case of sound agriculturists. Every individual should be advanced according to his credit otherwise the agriculturists would be more and more indebted. There are two hundred members in my society. In my opinion the society should be divided into two classes, and two limits should be fixed separately for sound and weak members. Very few members have been redeemed from their old debts.

There is *bhagdari* tenure in my *taluka* and we cannot take the lands as security as the land is unalienable. Some of the land in my *taluka* is not under *bhagdari* tenure. I am not aware that the special limits can be sanctioned over the limit of Rs. 500 already fixed, but we would take advantage of the special limits if they are granted.

Normal credit statements are prepared according to the limit of Rs. 500. There will not be any harm if special limits are sanctioned to big agriculturists if they require more money.

The land mortgage banks should advance money to the extent of 75 per cent. of the value of lands. At present the banks advance money on the security of the land to the extent of 50 per cent. of the value, and the agriculturists do not derive much benefit. The indebtedness of the people in my *taluka* is not double the amount of value of lands. The agriculturists are poor and they do not speculate and the indebtedness is not very great.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on the 26th November 1929.

November 26th, 1929.

BROACH.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.

Mr. V. L. MEHTA.

Mr. B. S. KAMAT.

Mr. R. P. MASANI (*Secretary*).

Mr. Y. R. JOSHI of Sajod, Taluka Ankleshwar.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—In the Ankleshwar *taluka* of Broach district the agriculturists get their finance supplied generally through private money-lenders; but wherever there are credit societies, they are partly financed through these organs. The agriculturists of the villages, where credit societies are, are not taking money from the societies partly because they fear that by taking money from the societies they shall have to give out the reasons for using the money which they do not like. Also they feel that all the money they need will not be supplied by the societies. And the village committees are not yet well trained with rules and regulations.

(a) For expenses during cultivation :—

During cultivation, farmers generally get money from the private money-lenders on promissory notes.

(b) For capital and permanent improvements :—

For capital and permanent improvements, farmers are not getting money from money-lenders or from anybody excepting the co-operative organs.

(c) For other special needs, *e.g.*, failure of monsoon, for land revenue, *etc.*:—

For agriculturists are getting money either by selling off a part of their property or by mortgaging their land at the private money-lenders or the credit societies where they are.

The poor farmers are charged at least 12 per cent. interest for four months by private money-lenders on promissory notes. In such cases interest charged by the money-lenders varies from 12 per cent. to 15 per cent. per year. But when the people give their own land, houses, or ornaments in mortgage, the interest that they are to give generally varies from 9 per cent. to 12 per cent. But the greater percentage of debt that is advanced on mortgage comes under 12 per cent. rate. Only well-to-do farmers in rare cases get money for their own finance at the rate of 6 per cent. on promissory notes or mortgage. But in doing so, money-lenders have their own foresight. Because when they go to the village they put up at such a farmer's house and this farmer practically does much of the recovery work of that money-lenders and such a farmer is generally

influential in the village. The rest of the farmers are trodden under the high rates of interest as mentioned above.

In our *taluka* Government, the Imperial Bank of India, the joint stock banks, the indigenous banks and bankers practically play no part in agricultural finance. But co-operative banks finance the agriculturists through the rural co-operative credit societies where they are. These credit societies finance the members for their current needs in the farming. Professional money-lenders finance the members for their current needs such as building houses, marriages, caste dinners, for fighting some suit, etc. Local merchants and dealers generally finance the most of the farmer class, in the form of corn, rice, sugar and all the small requisites of the house for the whole year. And they in return, in the season, get the new ready corn from the farmers. But here the farmers lose much more, because they are not keeping accounts. They buy whatever they need from the local merchants without caring for the price which they have to give in return in the season. Local merchants generally charge very high prices for the materials they advance, and when they buy up from the farmers in the season they give a considerably low price for the corn or goods of the farmer. In this way merchants and dealers in the villages are found in almost all villages in flourishing condition. If we calculate the whole thing these merchants get as much interest as the sum they have invested. In my opinion these merchants are the most dreadful persons to ruin the ignorant and poor farmers. Over and above this, many a time, they play mischief even in writing their accounts.

In our *taluka* there are nearly 100 villages, and taking an average, I suppose, per village at least 40 farmers; and on an average every farmer has got 15 acres of land. For every acre of land, at least Rs. 20 are necessary during the cultivation, over and above the charge of his personal care and labour; that means for the expense during the cultivation for this *taluka* per year the farmer class needs Rs. 12,00,000. If all of them are made to get their needs supplied through this co-operative organs, and if we want to make free the farmer class from the clutches of the money-lenders and local merchants, and if the whole business of the farmer is to go through cash payment, the total amount required to redeem the old debt will be Rs. 40,00,000. On an average scale every farmer possessing 15 acres has at least Rs. 1,000 debt.

Now to a farmer of 15 acres Rs. 200 will be his annual debt to a local merchant for financing him with *juar*, wheat, rice, sugar, oil and such other things necessary for the house and the cattle.

Money-lenders and local merchants are not only eating away the farmers but even harassing them for the recovery of their money. Because the rates of interest are very high and in bad years farmers get tired by the pressure that they experience from the money-lenders and merchants. And in the season many a time farmers are obliged to sell off their cotton or corn at a low rate as they cannot wait for realising the good rates. The remedy for this condition is to have credit societies in every village with strong and able committee having full knowledge of the rules and regulations of the working of the societies so that people may be financed adequately for the current needs and money cannot be wrongly invested. For such purposes the present committees are utterly useless. They know nothing about their duties. For the spread of knowledge of this system, educated men with the idea of service to the poor people should move in the villages to guide the committees or the men should conduct at least one society where they are staying. Otherwise with increase of credit societies no benefit will be done to the farmers as the people will be taking money from the societies and also from

the money-lenders and they will be going still in debt without improving their own condition.

In our *taluka* there are nearly 47 credit societies. And these societies have formed one Co-operative Ankleshwar Taluka Supervising Union. This union generally takes care for not allowing the societies to misuse their money through the committees. It looks to the accounts and the recovery of the money that has been invested. Only this much work does not solve the question of the difficulties of the societies. This union ought to try to get rid of the local merchants and dealers by supplying the farmers with their needs in kind. It should also try to culture the minds of the people.

QUESTION 2.—In our *taluka* principal crops are cotton, *juar*, wheat and *lung*. Out of these, cotton is the main crop. Almost all the cotton is bought up by the ginowners in the form of seed cotton, through their *dalals*. These ginowners sell this *kapas* after ginning and pressing to the millowners through other established agents. In this system farmers are put to great loss and inconvenience.

Poor farmers' cotton is bought up in advance before the crop is ready, by advancing some money on the standing crops. In this case the farmer hardly realises three-fourths of the price of what he may get in the season, if he sells it. In other cases ginowners send their *dalals* to buy up cotton in the villages, with the printed form of *kabala* (contract form) and with the order to buy up cotton up to a certain price. The *dalal*, in his turn, always tries to do his best in settling the price with the farmers for their cotton in the interest of the ginowners as he is to earn his livelihood through the latter. In the *kabala* (contract form) after settling the price, farmers who want to sell put their signatures and also put the quantity of cotton that they sell. But in this *kabala* it is printed that good quality of 1st and 2nd pickings of cotton farmers are to bring, otherwise ginowners may not consider the contract valid. According to the above-mentioned condition the terms are always in favour of ginowners and there is no consideration at all about the farmers' standpoint. After this *kabala* is signed by the farmers it is sent to the ginowners by the *dalal's* man. According to this a farmer is bound to give the best type of cotton, but the ginowner is quite free, even if he does not acknowledge the executed contract, because in the contract he is not bound to keep up the validity of the contract under any circumstances; that is, the poor farmer is bound by the contract to supply good cotton, but the ginowner is quite free to undo the contract whenever he likes or whenever he thinks that he is in loss. The reason for this is that he never made any contract favourable to a farmer, nor he gave out any signature or binding to acknowledge the receipt of the cotton bought according to *kabala* even when the quality of cotton is of the required type.

After the contract is signed by the farmers, if the rates of cotton go down, the ginowner troubles the farmers in several ways which are as follows :—

(1) By informing the farmer that he does not want his cotton, as it is not of the required quality. But this is a trick to give less rates to the farmers than what was offered in the *kabala*. This giving of less rate is known by the special word *karda per bhar* of cotton. This *karda* varies from Rs. 5 to Rs. 50.

(2) Farmers are troubled and given less value per *bhar* by another special method which is very common. From the south of *Narbada* to *Navsari* by weighing less when the rates have gone down, some ginowners instruct their weighers to make up the loss, and so many farmers thereby lose from one maund to 10 seers of cotton per *bhar*. Farmers have no knowledge of weighing and, therefore, they are obliged to agree to what ginowners weigh. Many a time, out of 25 carts 20 are punished by

weighing less and charging the farmers that they brought less from their places. But it is not possible that all the farmers brought less cotton. Ginowners always try to please two or three leading persons of the village and others are doomed.

(3) Very often farmers are not getting the cash payment for their cotton, the delivery of which they have already given. In their busy time of season, farmers are obliged to go several times to ginowners to get their money. And in some cases when the ginowner is in extreme loss, farmers do not realise the price, but they suffer for the sin of the ginowner.

(4) In the present system in selling cotton, farmers do not keep up their self-respect, but they are as it were the menials of the ginowners.

(5) Ginowners, many a time, are in the habit of mixing bad and good cotton, as the cotton is sold by the name of locality. In that year the ginowner realises the better price and makes a good profit. But when the buyer comes to know about this he gives less price to that ginowner or for the cotton of that locality. In this case ginowner is not at a loss at all. Because when he realises less price he gives less price to the farmers, keeping the margin of profit as usual. Thus in this case too for the sin of the ginowner the farmers are to suffer.

Recently for the last four years due to the above difficulties, some farmers of this *taluka* specially from the Hansot Mahal have started the Hansot Group Co-operative Cotton Sale and Seed Supply Society, Ltd., and it is flourishing day by day though it has got its own difficulties to come ahead off the clutches of the ginowners, as the society is dependent on the ginowners for ginning and pressing.

For the rest of the three crops *juar*, wheat and *lang* well-to-do farmers keep up for themselves the amount necessary for their use, and the rest they individually sell them to the local or *taluka* merchants. And poor farmers are obliged to hand over their corn to the local merchants at a low rate in return for what they have taken from the merchants throughout the year. In both the cases the farmers, though working day and night and producing the corn, do not realise the exact price which they ought to, and the local merchants within a short period, after buying, realise by selling wholesale outside.

For cotton, in a *taluka*, one particular place should be settled as *bazar*. When the farmers want to sell their seed-cotton may bring their cotton there. In this *bazar* the daily exact rates may be put on the board and a permanent committee representing farmers, ginowners and some local gentlemen should guide the business of cotton in point of weighing, *karda* rates, and quarrels.

Some such things should be done and Government should give protection in this matter in the form of regulations. This will be of use to the farmers who want to sell off their goods as soon as possible and individually.

The other possibility is to start the sale societies and also ginning societies which will relieve the farmers to a greater extent.

In the sale societies great facilities are necessary when the societies are to wait for some time to sell their goods. These societies also are not getting sufficient facilities for their current needs, and hence many a time they are baffled and in spite of getting profit they lose, and in spite of being away from the clutches of the ginowners they are entangled. The other farmers who are not members of the sale societies are also obliged to sell off their cotton goods to pay money to their creditors, and land

revenue as there are no credit facilities. And thus they realise less price as they are obliged to sell at inopportune time and in their needs.

No other bank but the co-operative bank helps the sale societies according to its own condition which is many a time a very heavy job for the sale societies. As on the whole societies are obliged to give more than 2 annas interest with the charge of the inspector, this does not help in any way to the sale societies which are yet in infancy. But if this bank modifies some of its own conditions it can help the sale societies to a still greater extent. Local merchants and dealers take away a large share of profit from the farmers by buying up their goods in the time of need of the farmers. This state requires great propaganda on the part of the workers for the awakening of the farmer in economic matter.

Dalals play a very important part in the internal trade of the province, specially in cotton. For their labour, the sellers give the charge and they work mostly in the interest of the buyers, because the system in the Surat market is such that the broker gets his brokerage from the seller through the buyer. This is a very awkward condition. And without the standing rules by which the broker might be governed, they look to their own interest than that of the buyer or seller. These people now-a-days have greater power, and buyers and sellers are at their mercy. They get large amount of brokerage from big cotton merchants and, therefore, they are naturally partial to those merchants and the sale societies due to this condition have their own difficulties to sell off their cotton. These difficulties are often experienced when the demand is less. At such a moment they try to please big merchants by helping to sell off their cotton in preference to that of others. Not only this, but the sale societies due to their small magnitude do not realise the proper price for their first class cotton as the brokers do not take much interest in them.

QUESTION 3.—In our *taluka* the value per acre of land varies from Rs. 50 to Rs. 200.

(a) Value of land in Government auction for non-payment of revenue.

Value of land in Government auction for non-payment of revenue may be hardly Rs. 50 per acre, because very few people will be ready to buy under such condition.

(b) Value of land in the event of sale by court decree.

In this case the value will vary from Rs. 50 to Rs. 150. In this case buyers will be found in greater numbers than in the first case.

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

Value of land in purchase by private negotiation will be the real value obtained as mentioned above, as here the land owner will be selling his land at his own convenience and sweet will, and here time and place are not fixed. The value of land is affected by the following factors :—

- (1) The nature of the soil.
- (2) It will depend upon the field whether it is far away or near the village.
- (3) Nearness of the market.
- (4) Amount of rainfall.
- (5) High level or low level.
- (6) If the well is dug in the field the value depends upon the sweet or salt water.
- (7) Labour of the farmer and manure.
- (8) The value also depends upon the deep rooted weeds that are present or absent.

- (9) The value will vary according to the condition of the local farmers.
- (10) The value of land will depend upon the rates that farmers realise of the crops grown in the field.
- (11) The value of the land will depend upon the good year or bad year.
- (12) The value of the land depends whether it is on new tenure or on old one.
- (13) The value of the land will depend upon the good management of the village work, e.g., good watching work, less damage to the crop by cattle or thieves, good roads, nearness of water in the ground, etc., that is, it will depend upon general happiness to the people.

Oral Evidence.

7796. *The Chairman* : Mr. Joshi, you are a landholder ?—Yes.
7797. And you are also a Bachelor of Agriculture ?—Yes.
7798. What is your principal business ?—Farming.
7799. Do you do farming yourself ?—Yes.
7800. Can you tell us how much land you have ?—I have nearly 400 *bigas*.
7801. It is all *jirayat* ?—Yes.
7802. Do you not farm according to the improved methods ?—No.
7803. Do you think that they would be useful ?—I do not think so, because the holdings here are very small.
7804. Supposing a village combines, the smallness of the holding would not come in their way ?—If the soil is weedy, there the tractor would be useful, and it is for deep-rooted weeds.
7805. Have you heard that the tractors are being used in Pardi ?—We have already one tractor in our own *taluka*.
7806. Whom does it belong to ?—It belongs to a big landlord.
7807. Has he used it ?—Yes.
7808. Does he not find any great advantage therefrom ?—No. He is completely in loss.
7809. How deep does it go ?—It goes up to 9 inches and its cost comes to Rs. 22 per acre.
7810. Would it cost more or less the same amount if you plough 9 inches with an ordinary plough ?—It is not necessary to plough 9 inches at all. It depends upon the nature of the soil.
7811. What crops do you raise ?—The principal crops we grow are cotton, *juar*, wheat and *lang*.
7812. Is there any improved kind of seed that is used ? Do you use for cotton 1027 A.L.F.? Do you find this most profitable ?—According to our experience it has not been profitable. It is not fetching a higher price because the outturn is very small, i.e., for every *khundi* the rate we realise is higher, but as the outturn of the lint is less therefore on the whole it fetches less price.
7813. Is the staple better ?—Yes.
7814. But if all the area is put under 1027, would you not be able to get a better price ?—This has to be seen now.

Mr. Y. R. Joshi.

7815. Is much money required for land improvement in your *taluka* ?—Yes.

7816. What kind of improvements are necessary ?—Sinking of wells, levelling and bunding in some cases are necessary.

7817. Are there any other kind of improvements requiring long-term finance ?—I have not thought about it.

7818. But do people go in for wells and for levelling, etc. ?—If they get money, they will go in for such improvements.

7819. Is there any difficulty about getting long-term finance ?—Up to this time there was no difficulty.

7820. From whom did they get it ?—They did not get any money.

7821. Was there no demand ?—There might be demand, but they are conservative.

7822. Supposing propaganda is carried on, do you think that there is room for such improvement ?—Yes.

7823. They will need then long-term finance, will they not ?—Yes.

7824. For how long do you think the finance will be required ?—For at least ten years.

7825. Do people go in for *taccavi* at all for wells ?—No.

7826. In your written evidence you say: "In the Ankleshwar *taluka* of Broach District the agriculturists get their finance supplied generally through private money-lenders but wherever there are credit societies they are partly financed through these organs" ?—Yes.

7827. Are you also an Honorary Organiser ?—Yes.

7828. Why are these societies doing financing partly ? Is no adequate finance available ?—The farmers are not getting their entire needs supplied by societies. Their needs are being supplied by societies partly.

7829. But so far as their agricultural needs are concerned, they might be financing them fully ?—Even for agricultural needs, the maximum limit is fixed.

7830. What is the individual limit in agriculture ?—It varies from Rs. 200 to Rs. 500.

7831. Does not the maximum limit suffice the majority of members ?—I do not think so.

7832. Why do not the societies get that limit increased if it is not sufficient for a majority of members ? This can be done, can it not ?—Yes.

7833. There are also surplus funds available in the central bank. Why do you not get the limits raised and get funds from the bank ? I presume this could be done ?—I do not think the amount that is required by the farmers can be supplied by the bank.

7834. Why not ? There are several lakhs remaining idle with it. They are meant for financing agriculturists ?—But they have not been supplied as yet. Several societies have already demanded that the increase of limits should be sanctioned, but they are not sanctioned.

7835. In the case of a big landholder there is a rule that a special limit can be sanctioned to him, is there not ?—Yes.

7836. Do people take advantage of this rule ?—They are just coming to know about it because it is newly introduced.

7837. But if such limits for big landholders are sanctioned they will remove partly this difficulty, will it not?—Yes. But the process of getting money is very very long and, therefore, the farmers are getting tired.

7838. How long does it take?—Sometimes it takes three or four months.

7839. Why does it take so long?—A member will have to make an application, it will go to the union, then the supervisor will go through it and submit his report and then it will be sent to the committee of the union and it sends the application to the bank.

7840. Do you not think that it will be possible to shorten this period?—If he works and takes a keen interest, then the time can be lessened.

7841. But the supervisor is a paid officer, is he not?—Yes.

7842. If a society prepares its statement, it can go to the supervisor and he should be able to dispose it off without much delay?—Practically it is not so.

7843. You say that the village committees are not properly trained. Is there not an institute for holding classes?—I think that there are very few classes held.

7844. Do you not think that if there are more of these classes, they will be useful?—Yes. The institute should carry on more propaganda also.

7845. Are you an Honorary Organiser for the whole *taluka*?—No; I am the Honorary Organiser only for the Hansot Mahal.

7846. You say: "Only well-to-do farmers in rare cases get money for their own finance at the rate of six per cent. on promissory notes or mortgage. But in doing so, money-lenders have their foresight. Because when they go to the village they put up at such a farmer's house, and this farmer practically does much of the recovery work of those money-lenders and such a farmer is generally influential in the village." Now this farmer is a local man, is he not?—Yes.

7847. If an outsider can use an influential farmer to recover his dues, cannot the village society use the influence of such people for recoveries?—Yes, it can.

7848. Will they do it?—Yes.

7849. Towards the end you say: "Professional money-lenders finance the members for their current needs such as building houses, etc." Do societies advance finance for building purposes?—Yes.

7850. Then you say that the village money-lenders are local merchants?—Yes.

7851. Is it usually the case that a village money-lender is also a merchant?—Sometimes it happens so.

7852. Usually a village money-lender only does money-lending business, is he not?—Yes.

7853. Do you keep accounts of your own farming?—Yes.

7854. Is the figure of Rs. 20 per acre arrived at after taking these figures into consideration?—Yes.

7855. But for people who are actually on the land and who have small holdings would it come to such sum as Rs. 20?—I think so. I have the accounts for the last 12 years, and I am managing two farms at two different places and from that I have come to this conclusion.

7856. But you have to engage labour and pay for it?—Yes.

Mr. Y. R. Joshi.

7857. While an actual cultivator who has a small holding of 10 or 15 acres will probably do the labour himself and in his case would he require Rs. 20 per acre?—I think it will be necessary for other works such as for driving the bullocks, etc.

7858. But a good deal of the work is done by him and his family?—I have an expense of Rs. 30 per acre. So I have already deducted Rs. 10 as personal labour charges and have put Rs. 20 per acre.

7859. Is the sum of Rs. 20 for all crops?—Yes.

7860. Which is the most expensive crop to grow?—Cotton.

7861. Does it require more cash to grow than other crops?—Yes.

7862. Why is this so?—Because of its pickings. At that time the labour is very dear.

7863. Is this the most expensive part of the operation?—Yes.

7864. You say that each farmer has on an average a debt of about Rs. 1,000. Is this based on any calculation or is it only an impression?—It is only an impression. This is my own idea.

7865. Is it based on any definite instances?—Yes, because I am also coming into touch with so many villages. Therefore I have formed this conclusion.

7866. About marketing, is there much competition amongst buyers at Ankleshwar?—We have 7 or 8 ginning factories: 3 are at Ankleshwar; 1 is at Hansot Mahal; 1 is at Illav; 1 is at Kim and 2 are at Kosamba, for selling cotton.

7867. Where do the people of Hansot Mahal sell their cotton?—When the *dalals* come to the village they sell it to them.

7868. Is there no central market here?—No.

7869. Are all the buyers gin-owners?—Most of them are gin-owners.

7870. Is there any competition amongst the gin-owners?—Yes, there is.

7871. Is the price fixed by this competition?—Sometimes it is fixed. It depends upon the time.

7872. Do a majority of cultivators sell their cotton in the village or do they take it to the gins?—Generally they sell it at their own doors. They settle the rate at the village and they have to cart it to ginning factories.

7873. How do they know about the prices?—From the rumour they can conjecture only because on the previous day other *dalals* might have come and gone. I presume that people go to the city and may bring some news from there.

7874. When actually settling the price is there competition?—There is no competition. Sometimes when two or three *dalals* of different factories come to a particular village there is competition otherwise there is not, and this happens generally at the well-to-do farmers' houses because they wait for some time until the other people come or until they get some news from other factories.

7875. You said that *soucars* use an influential farmer for recovery of their dues. Similarly do big merchants also use an influential farmer for getting produce for their gins?—His interest is already there.

7876. In other words, do the big merchants offer some advantage to the big farmers who are influential, in order that they might induce the small farmers to sell their produce?—They might offer them some advantage for this purpose.

7877. Do some farmers take their cotton direct to the gin-owners?—Very few do so.

7878. You say you know the markets well. Do the farmers get a fair price in their own village at least in the *kabala*?—Yes.

7879. You say that in the contract it is only the cotton producer who is bound and not the buyer?—Yes. The gin-owner can say that he does not want it. So many cases happen like this. He plays this mischief, when the rates are very low. Suppose the cultivator has sold his cotton at Rs. 220 and after two days when he takes his cotton there the rate might be very low. If he then goes to another gin with it, he will be paid still less, and therefore, he prefers his own first man. In my own case for 1027 cotton out of 12 *bhars*, I realised Rs. 112 per *bhar* for 3 *bhars* in my own village and for the remaining 9 *bhars* I was offered only Rs. 84 per *bhar* when I took it to the gin.

7880. Was it due to the falling of the market?—Yes.

7881. On what ground did this gin-owner not pay you Rs. 112?—At that time there was Mr. Bomanshaw and he said that my cotton was not 1027.

7882. Was it 1027?—I took the seed from the Cotton Superintendent and it was I who introduced it in the whole *taluka*.

7883. Did you take all the 12 *bhars* at the same time?—Yes

7884. Is weightment of cotton made at the gin or in the village?—It is made at the gin.

7885. You say that sometimes mischief is played there also?—Yes. In this year especially, it is the greatest.

7886. Would it be possible specially in bigger markets to have standard weighing machines?—Yes.

7887. Who pays for the weightment?—The gin-owner pays for it.

7888. If it is weighed in the village even then does the gin-owner weigh, is it so?—It is always weighed finally for the second time for the conviction of the gin-owner in the gins in our *taluka*.

7889. Is it never weighed in the village?—We always weigh it privately and in the gin it is reweighed.

7890. What is the system of payment of the price of cotton? When you hand over the cotton to the gin-owner after its weightment in the gin, do you get the money at once?—It depends upon the condition of the gin-owner. Many a time we do not get money at the very moment. The gin-owners ask us to come after 8 days and twice or thrice again we have to go.

7891. But there are some good gin-owners who make cash payments, are there not?—Yes.

7892. And sometimes you say that there is a loss?—In my neighbouring ginning factory the people lost money.

7893. Did the gin-owner become insolvent?—No. The people have not yet realised their money.

7894. Have they taken no action against the gin-owner?—I do not know why they have not realised their money.

7895. Have they not received anything at all?—They might have received money partly. They were obliged to go to Ahmedabad and from there they received half of the money because the gin-owner lived in Ahmedabad.

Mr. Y. R. Joshi,

7896. You have a co-operative sale and seed society?—Yes.

7897. Does this society distribute its own seed?—For the last four years we are buying from the Cotton Superintendent 1027 and we are distributing it both to members and non-members.

7898. Do your members also use the same seed?—Yes.

7899. Where do they get finance for cultivation purposes?—They get it from co-operative societies. If there are no societies they get finance from *sowcars*.

7900. When the crop is ready, are members expected to bring their produce to the sale society even if they had taken an advance from *sowcars*?—Yes.

7901. After the crop is brought to the society does it sell it to a gin-owner?—The society gets it ginned.

7902. Do you have any difficulty in getting your cotton ginned?—As long as we have not our own gins, we shall have trouble.

7903. In what way?—In having to pay a higher rate. For instance in Surat for pressing one bale they charge Rs. 2-4-0 while between Sayan and Kosamba we are obliged to pay Rs. 7-4-0. Due to this Transport Act we cannot take our cotton to Surat and so these people take it to gins in Kosamba, where the gin-owners have formed an association.

7904. Is there only one press?—There are four presses and they have formed an association.

7905. What was the rate before?—It was Rs. 3 to Rs. 4.

7906. Is there an association of gin-owners in Ankleshwar?—Yes.

7907. What is it for?—It is for fixing the rate for ginning.

7908. Is it not an association for buying?—No.

7909. Formerly you sent your cotton for sale to Surat?—We sell lint in the Surat market.

7910. Are you allowed to transport the cotton to Surat?—No. We do not take our cotton there but see that we perform our contract there and it is taken delivery at Kosamba or at Sayan.

7911. Do you not get the Surat price?—No.

7912. Are there no other merchants to buy your cotton in your tract besides the gin-owners?—No.

7913. And for lint?—For lint also there are no other buyers unless we go to the Surat market.

7914. What advantage do you get from these cotton sale societies? Do you realise better prices?—We do not realise better prices, but we have better convenience.

7915. In what way?—We are not tyrannised.

7916. You say people are not tyrannised, but do you not gain anything now?—We hope to gain in future and the gin-owners wanted to do away with the societies also. There was a letter written by Mr. Bomanshaw to the Cotton Superintendent that he should not give a license for these people for 1027. The Cotton Superintendent answered that Government intended to encourage societies and he was therefore unable to do anything in that matter. So due to this competition the actual condition is that when the season begins they give high rates to farmers and in the middle of the season they begin *karda*, and whatever they might have lost in the beginning of the season they make up. They also spread the news "we are giving better prices".

7917. But are all your members loyal?—Every year we lost 10 or 15 members, but due to our propaganda we are gaining now 25 to 30 new members.

7918. How many members have you?—143.

7919. From how many villages?—From nearly 27 villages.

7920. You suggest that there should be a central market place for a *taluka*. Suppose a market is started, do you think there will be any difficulty about finding purchasers? If all your buyers are ginners and there are no outsiders, would you find any difficulty to find purchasers to come to the regulated market and buy cotton?—There will be difficulties to find out purchasers.

7921. You say: "In the sale societies great facilities are necessary when the societies are to wait for some time to sell their goods. These societies also are not getting sufficient facilities for their current needs and hence many a time they are baffled, and in spite of getting profit they lose"? In the initial stages if they want to wait and are not properly financed in time they are likely to lose.

7922. Do you say that they should be financed to enable them to finance against the security of cotton?—Yes.

7923. Is this not done at present?—This is done, but they are not getting a large proportion.

7924. How much do they want?—They want about 65 or 75 per cent. cash.

7925. How much do you give?—We get 60 per cent. from the bank; but even for 60 per cent. cash if a society is very small the rate of interest for it is very high, *viz.*, Rs. 7. We are charged this rate because we are obliged to keep one man from the bank. It is necessary for the safety of the bank, but the result is that the farmers get money at a very high rate.

7926. At what rate does a sale society advance to farmers?—It advances to farmers at 9-6-0 per cent.

7927. Do you think it is very high?—But the society has to pay to the bank 7 per cent. interest.

7928. And is the society in a position to advance at 9 per cent. after taking this fact into consideration?—Generally we sell some of the cotton and the money we realize is given to the farmers, and therefore, we have not up to now felt that the rate is so high; but if we are obliged in time of need to take money from the bank at this rate and also we are obliged to keep a man, I think it will go to 12 per cent.

7929. Does each society keep a man?—If they are in different localities it has to do so.

7930. You say that *dalals* work entirely in the interest of buyers and not in the interest of sellers?—Yes. In the Surat market where we sell our lint, this is the case.

7931. What facilities do you think are wanted by sale societies excepting finance from the central bank at a reasonable rate of interest? One facility you want is finance on the security of goods at a reasonable rate of interest. Do you want any other facility?—There should be facility for selling cotton. At present there are small societies and if they are to dispose of their small amount of goods, they find it very inconvenient to do so.

7932. Do you mix the cotton of all the members and sell it or do you sell each man's cotton separately?—Because the society is confined only to one tract and because we sow one kind of seed, the cotton of all the members is always kept in one heap.

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7933. Some members might be picking more leaves ?—No ; they do not do so. We generally give instructions that they should take care not to bring these leaves.

7934. Do they follow your instructions ?—Yes.

7935. And as regards prices, do you pay according to average prices at the end of the season ?—Yes.

7936. Do you want any other facilities for sale societies ?—If some certified brokers are kept it will be better.

7937. Is it your suggestion that cotton should be sold only through some certified *dalals* ?—Yes.

7938. If in a good year a cultivator realises a good profit, where does he usually keep it ?—I do not think that within the last several years the cultivators have had a surplus.

7939. There may not be many ?—There might be a very few people who might have surplus. There might be 10 or 15 people.

7940. But even as regards these 10 or 15 people, where do they keep their surplus ?—They put it in the co-operative bank.

7941. Do they invest it in cash certificates ?—No.

7942. Do they invest it in postal savings banks ?—They do not go to postal savings banks. Generally they come to the co-operative bank.

7943. Is there a tendency in your *taluka* to buy and hoard gold ?—It has disappeared now because there is no money.

7944. But did it exist before ?—Yes. The last four years have been very bad. Before these four years they might have been hoarding.

7945. Are co-operative societies doing anything to attract their money as deposits ?—There is propaganda. In our own case we are not taking money from the bank but all the money we have is from our own village.

7946. What is your capital ?—It is nearly 10,000 out of which members have deposited nearly Rs. 4,000 and the rest belongs to non-members and reserve fund.

7947. *Professor Kale* : You said you have ten years figures for the costs of production ?—Yes.

7948. Will you have any objection to give them to the Committee ?—I have no objection to do so. I shall send you the figures.

7949. Are the gin-owners who buy through their *dalals* under a contract to sell it to millowners ?—This depends upon their own choice.

7950. Are there any previous contracts ?—This is not the case always. If they think that their business will be profitable they sell off the whole cotton previously, otherwise they keep it in stock and sell afterwards.

7951. There is no regular system ?—No.

7952. In the case of a primary co-operative society members want finance for two purposes : for their agricultural current needs and for their household expenses. Do you think that the society should give loans for both purposes ?—The society should give finance for their agricultural current needs and in the case of domestic purposes that which is reasonable must be given to them.

7953. It was proposed by some witnesses to us that a law might be passed prohibiting the members of co-operative societies from going to *sourars*. Do you think that such a law will be feasible ?—I do not think that it is necessary.

7954. Will not people like it ?—No. People will think that their liberty is curtailed.

7955. I think we should create such an atmosphere that they should not go of their own accord to *sowcars*, and the best method of doing it is that the society should itself make advances for the two purposes so that they may not have the temptation of going to a *sowcar* ?—Yes.

7956. *Mr. V. L. Mehta* : You suggest that in the season farmers are charged at least 12 per cent. for four months. Do you mean 12 per cent. per annum or does it mean 36 per cent. per annum ?—Sometimes it is even more than that. When they require to pick their cotton this is the rate charged for poor farmers in our *taluka*.

7957. What would be the corresponding rate for an average farmer ?—It varies from 9 to 12 per cent.

7958. You also said in reply to the Chairman that there were considerable delays in getting money from societies and their members used to get from the central bank. You also said you were reducing those delays as far as possible. Does the preparation of normal credit statements involve any trouble or any delay ?—These committee members of village societies are not accustomed to it and they do not know the rules and regulations. So it takes time to prepare credit statements. This is one reason for the delay in getting money.

7959. You say that there is some difficulty with regard to the limits being raised for societies as a whole and for getting special limits for members. Have you any suggestions to make ? Do you not get sanction in time or do you occasionally not get sanction at all ?—I do not get sanction in time.

7960. You said you would like to have a federation of cotton sale societies. Would you like to market your cotton through this federation ?—Yes.

7961. Have you a fairly large number of sale societies in your two *talukas*, Ankleshwar and Hansot Mahal ?—Our tract is doing this business with the Surat market because the tract is between Tapti and Narmada, and the Ankleshwar *taluka* of Broach district is on the other side of Narmada and therefore there are many good societies. Our society is included in the Surat district.

7962. But you said you have some difficulties according to the Cotton Transport Act ?—Yes, because we cannot take our cotton.

7963. If you have a federation in Surat, would it help you ?—Our office is there.

7964. But your cotton would be of a different quality ?—We are selling our cotton in our own name.

7965. Is it permissible under the Act ?—Yes.

7966. There will not be any difficulty on the score of the Cotton Transport Act for sale through a federation ?—No.

7967. Have you ever tried to get into touch with the Bombay market ?—No.

7968. To your knowledge have ordinary members of societies direct knowledge with the Bombay market ?—I do not know.

7969. With regard to the question of charges of a loan clerk, will it not depend to a certain extent on the volume of business which a bank transacts ?—Yes, but at present we have not taken to buying.

7970. What is the approximate sum you would require ?—Nearly one lakh.

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7971. But you would not require at a time more than 10 or 12 thousand rupees ?—At a time I would require 25 thousand rupees.

7972. Is all cotton stored at Hansot Mahal or is it stored in another centre also ?—The bulk of the cotton is lying at Kosamba.

7973. The loan clerk will then have to be kept at Kosamba ?—Yes.

7974. *Mr. Kamat* : As an agricultural graduate, are you using improved methods of agriculture, say, better seed, better manure, inter-culture, better weeding and all that you have learnt in the college, in your farm except the tractors ?—Yes.

7975. Could you tell us what is the extra return which probably you may be getting from these improved methods over and above what an ordinary farmer gets, say, in cotton ?—I have not realised anything more than these farmers.

7976. I am asking you this question because we have been told that if improvements are carried under new scientific methods the gain would be 10 or 15 per cent. more. I want to verify this fact from your experience ?—I have not met with any special advantage.

7977. Do you mean to tell me that in spite of your education in agriculture you are not even making five per cent. more in the production ?—Yes.

7978. About marketing probably you are aware that in many places at any rate it is, as if it were in the 17th century, primitive in its methods ?—Yes.

7979. If there are better marketing conditions, how much do you think would a farmer get per maund in cotton ? I will just describe about what I have in my mind so that you can give me a clear answer. You have described all the difficulties of farmers. Suppose we provide some machinery, some organization for standard rates, *i.e.*, a man with a weighing machine will give the correct weight and then the grading officer will certify the grade of the cotton and so on. If such facilities were given for better marketing, how much do you think that a farmer will be able to get per *bhar* more than ordinarily ?—This cannot be said just now.

7980. Do you mean to say that there will be no advantage ?—This depends upon the circumstances and it depends upon the competition. In our *taluka* there are not a good many factories and there will not be outside buyers and so it may not be effective.

7981. It comes to this from your answers that you derive no extra benefit from your scientific marketing also ?—If there is competition, there will be some profit.

7982. Will you tell me why outside buyers besides gin-owners are not coming here to buy ? How do you account for this ?—I have not thought over this question.

7983. Do you think that licensing of brokers would be a practicable proposition ?—This will be a practicable proposition for bigger places. If the cotton of the whole district is sold, then it is a feasible proposition.

7984. What do you think of the future of the sale societies which you just now described. Do you think that more co-operative sale societies can be started in this district if finance is available and if the present ones are made efficient ?—Yes.

7984A. Are you hopeful about their future ?—Yes.

7985. You have spoken about propaganda being necessary in the interest of the borrowers in the villages. Have you tried something yourself as an educated man ?—I have been doing this work for the last 12 years.

7986. I want to know your experience. Has this sort of propaganda had appreciable results in certain villages ?—Yes.

7987. Your experience is that the villagers listen to you fully and form associations or follow approved methods and have confidence, is this so?—Yes.

7988. *The Chairman* : Are you in touch with the system of indigenous banking as carried on by *shroffs*?—No.

7989. Do they finance agriculturists?—Generally they do not.

7990. Have you no experience about them?—No.

7991. Have you thought out as to how a bank like the Imperial Bank or any State bank can be made to help agriculture?—I have not thought of it.

(The witness withdrew.)

Mr. G. G. DESAI, M.A., District Deputy Collector, Broach.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—(c) From agricultural credit societies, the local land mortgage bank or the village and the urban lenders.

(b) From agricultural credit societies, the local land mortgage bank or the village and urban lenders and from Government as *taccavi* in some cases.

(a) Same as (c) except the land mortgage bank.

The rates of interest generally charged by co-operative credit societies, land mortgage bank, *sowcars* and Government are respectively 9, 7, 12 and 6.75 per cent. The period for which loans are taken is indefinite varying from one to a number of years upto 20. The security given and accepted is the land, the houses, the live stock and the crops. Sometimes loans for seed are taken by the villagers even in kind and then the rate of interest (which is paid also in kind) is not less than 25 per cent. and may go upto 33 per cent. The Imperial Bank of India plays a negligible part in agricultural finance and there are no branches of the joint stock banks in the district. The urban co-operative banks finance the agricultural credit societies which in their turn finance their members (the farmers and the cultivators). Gin and press owners and cotton brokers also lend money at times on the standing crop of *kapas*. Government grant *taccavi* only when the season is abnormal or in times of other calamities such as flood, frost or fire, but the chief financing agencies are now the co-operative banks and the co-operative credit societies. There is not proper co-ordination among all these various credit agencies though Government never comes in the way of the co-operative credit banks and the societies. If cheap and easy credit, which in my opinion is at present more or less the bane of the country side, is not encouraged by the latter, it is advisable to leave the question of agricultural finance solely to that agency. It should encourage thrift and self-reliance and not useless or wasteful squandering and ingrain the habit of keeping accounts in its clients. Rather than provide unnecessarily easy credit on a large scale, it should rigidly cultivate the qualities of honesty and economy and fair dealing among the rural classes and organise a few exemplary societies in typical villages which may be free of faction and not heavily indebted.

Mr. G. G. Desai.

QUESTION 2.—Cotton, wheat, *juar*, *rabi* and *lang* are the principal crops of my charge. They are sold in Broach and Surat and at Ankleshwar and Palej. Cotton has to be taken to the gin-owners and the price offered by them has to be accepted in most cases. A cotton market for Broach and Ankleshwar each is desirable and co-operative sales would be both profitable and useful. A cotton sale society established since four years in Ankleshwar and Hansot is doing good work, but many more of such sale societies are needed for the cultivators to obtain the proper value for their produce. At present the latter are at the mercy of the brokers and the gin-owners of the places where they take their produce for sale. Practically no credit facilities for marketing exist at present. The gin-owners of the district have not formed a pool, but an association of these people exists at Ankleshwar, though it is a question as to whether it works for the real good of the class for furthering the interests of which it is meant and formed. The farmers ought to get, say, 75 per cent. of the value of their produce on the spot at the time of the sale, and if the purchasers get the requisite accommodation from some sound banking agencies they would be able to pay cash to their customers at once to that extent. Indigenous bankers used to afford some such accommodation in the past but the credit of their clients, the purchasing merchants, having deteriorated, the business of the indigenous bankers has practically disappeared. The local branch of the Imperial Bank affords cash credit in some cases to substantial money-lenders, but this business should be cautiously but steadily extended. The system of licensed warehouses may be tried and Government help, for example, may take the form of allowing rent free sites for the same where available subject to their right to make some periodical inspection of and to keep general supervision over their operations in order to watch and see that no abuses enter therein.

QUESTION 3.—The classes and value of land for this sub-division are as under :—

			Per acre Agricultural	Per square yard village site
			Rs.	Rs.
Kanam	..	..	500	5
Bara	..	..	100	1
Medium black soil	..	..	200	2
Bhata	..	..	800	....

QUESTION 3—(a) About 10 to 15 per cent. less than that mentioned above.

(b) No appreciable difference.

(c) No appreciable difference.

The factors which affect the value of lands are situation, quality and demand.

QUESTION 4.—There is practically no impediment to mortgage of land except in the case of New Tenure lands which cannot be alienated, *i.e.*, leased, mortgaged, sold or given away without the Collector's permission.

There is a land mortgage bank established in this district since a few months and Government have given the requisite assistance to it by purchasing the debentures for Rs. 5 lakhs raised for it by the Central Co-operative Bank. In my opinion the working capital of such banks should be derived largely, if not solely, from funds from central institutions which may lend money to such banks at, say, 4 or 4.5 per cent., the banks in their turn lending to their clients at not more than 6½ per cent.

QUESTION 5, PARA. 1.—Yes, so that an undue increase in such facilities may not be afforded.

PARA. 2.—No. Not for any village in my charge.

PARA. 3.—By the economic house to house survey in the village or villages in question and with the assistance of the village land and registration records.

PARA. 8.—A large number of people who are efficient farmers are not being turned into tenants in my sub-division which is not a tract generally liable to famine.

QUESTION 6, PARA. 1.—No subsidiary industries worth the name in my charge.

PARAS. 2 AND 3.—Yes, hand-spinning and hand-ginning could be encouraged by educating public opinion and by suitable propaganda.

PARAS. 4 AND 5.—By the formation of suitable co-operative manufacture and sale societies in typical villages.

QUESTION 6A.—No. None.

QUESTION 7, PARA. 7.—The Co-operative Movement meets the financial needs of only the agriculturists in my charge and that also to a very limited extent. It has not yet touched the small traders or the industrialists at all and it is also not capable of doing so at present.

QUESTION 8.—The working of the Dekkhan Agriculturists' Relief Act has tended to restrict the credit of the class for whose benefit it has been enacted. It has increased the number of the conditional sales of lands and made the cultivators less ready even to repay their just debts and dues regularly and punctually to their *sowcars*. It has increased litigation and on the whole not benefited the people for the amelioration of whose lot it was meant.

SECTION II.

QUESTION 8, PARA. 5.—I think any such measures would not be popular in the beginning but would be eventually appreciated.

QUESTION 9.—Yes. They are obliged to refuse several demands on account of both the causes referred to in the question.

QUESTION 10, PARAS. 2 TO 4.—I would suggest the establishment of a local bank with local directorate, on which the indigenous bankers should be represented in a majority. Then it would inspire their confidence, be able to utilise their local knowledge and experience and avoid competition with them. It should in fact finance and assist them when necessary as far as possible.

QUESTION 11, PARA. 1.—No ; I do not think so.

SECTION III.

QUESTION 1, PARA. 5.—No.

PARA. 6.—Yes by the establishment of new postal savings banks and the branches of indigenous banks.

QUESTION 2. PARAS. 1, 4 AND 5.—Postal cash certificates are popular with the educated classes only at present. They can be made popular among the rural classes also by suitable propoganda.

PARA. 3.—The members of the savings banks establishments could be more courteous and helpful and sympathetic especially towards the illiterate rural classes treating them rather as their business clients than mere applicants or petitioners.

Mr. G. G. Desai.

PARA. 6.—Some professional money-lenders and indigenous bankers consider that the postal cash certificates do come appreciably in the way of their business, but I do not think this complaint is based on good grounds.

QUESTION 3, PARAS. 3 AND 4.—The farmers and agriculturists are mostly indebted and so utilise the monies which they get by the sale of their produce in repaying their debts and the remainder in drink, marriage and funeral expenses and the purchase of ornaments and lands in some cases. Very few of them know what it is to invest. Some of them lend their spare money to their brother farmers in a few suitable cases, but much of this spare money goes away also in useless and wasteful litigation both civil and criminal.

QUESTION 4, PARAS. 1 AND 3.—The cheque-habit is gradually but steadily growing especially among the educated lower and upper middle classes in almost all the towns, small as well as large.

PARA. 2.—Negligible.

PARA. 4.—The indigenous bankers may be encouraged to introduce the use of cheques with vernacular scripts among their clients.

QUESTION 5, PARA. (a).—Yes, so far as the agriculturists and the rural classes are concerned.

(b) Poverty and want of education or illiteracy.

(c) Yes. Propaganda by (a) Government in regard to Government loans for capital expenditure, (b) Genuine sympathy in regard to finance required for nation building industries and (c) Prosperous local bodies as regards the loans to be raised by them for local needs and purposes.

Oral Evidence.

7992. *The Chairman* : Mr. Desai, you are a District Deputy Collector here ?—Yes.

7993. Which *talukas* are in your charge ?—Ankleshwar, Hansot Mahal and Broach *talukas*.

7994. How long have you been in this district ?—For about three years.

7995. With reference to your reply to question 1, can you please tell us as to how much *taccavi* has been advanced either under the Agriculturists' Loans Act or under the Land Improvement Loans Act in your *talukas* ?—Not to any appreciable extent.

7996. In times of flood and frost, has not *taccavi* been given ?—It has been given on such occasions.

7997. Is there no demand for land improvement ?—There is ; but wherever there are co-operative societies, generally *taccavi* is given through these societies.

7998. Do you think there is a possibility of taking up land improvement schemes ?—Yes, in this district there is a possibility for drainage.

7999. Is there a demand at present ?—Yes.

8000. Does financial difficulty come in the way of these works ?—Yes.

8001. In places where there are no co-operative societies, from what source can agriculturists get such loans ?—At present under the Land Improvement Loans Act, no *taccavi* can be given for drainage purposes.

8002. Is it not considered a work of land improvement ?—It is not one of the purposes for which *taccavi* is meant to be given under the Act.

8003. *Taccavi* can be given for land improvement such as wells and bunds and for levelling. Is drainage specially excluded?—It is not actually excluded; generally the drainage question does not relate to one particular landholder, but it relates to the village as a whole.

8004. *Taccavi* can be given jointly?—It can be given on joint bond system. It is a question for the whole village, and people are not willing to take the joint responsibility.

8005. You say in reply to question 1: "If cheap and easy credit, which in my opinion is at present more or less the bane of the country side, is not encouraged by the latter, it is advisable to leave the question of agricultural thrift." Do you think that co-operative societies here give out more money than what is actually necessary?—That is my impression.

8006. And indiscriminately?—Not as discriminately as I should wish.

8007. Would you like them to advance money at a higher rate of interest, because you speak of "cheap and easy" credit?—In Gujrat I cannot say that the rate is cheap, but I am speaking of the whole province.

8008. Is the money given more easily than it ought to be?—I think so.

8009. We have been told by other witnesses that the societies are not giving enough money?—It is true, but to those to whom they give, they give indiscriminately.

8010. Is it not a fact that several of the members are driven to borrow also from *sowcars* because they cannot get enough from societies?—True, many who do not get enough from the societies have to borrow from *sowcars*, because there is a limit prescribed in the societies, and when the limit is reached, they cannot advance more.

8011. As regards marketing, you say that the present system of marketing is not satisfactory?—No; it is not at all satisfactory.

8012. You say that cotton has to be taken to ginowners. Are they the only purchasers?—They are practically the only purchasers.

8013. Do any representatives of Bombay firms not come here for buying cotton?—If they come, they buy from the ginowners.

8014. Do you think the Cotton Markets Act would solve the present difficulties?—I think, it would.

8015. Is there much competition between the ginowners?—There is competition, but they generally combine.

8016. You say that the ginowners have formed themselves into an association. Is this association formed to fix the rates of ginning?—Yes.

8017. Are the rates of ginning uniform?—Generally they are uniform, but sometimes there is dispute and there is competition.

8018. If there is competition, would it not be in the interest of the agriculturists?—Yes.

8019. Do you know anything about the working of the branch of the Imperial Bank here? You say that it has not directly financed agriculture; has it indirectly benefited agriculture?—I cannot say. There are some people, who would like to be accommodated by the Bank.

8020. Why are they not accommodated?—I think, because of the system. I think the rules should be amended.

Mr. G. G. D'sai.

8021. Is much of the land in your division *bhagdari*?—Not very much; in Broach *taluka* there is some such land, but not in the other two *talukas*.

8022. In reply to question 7 you say: "The Co-operative Movement meets the financial needs of only the agriculturists in my charge." Do the urban banks not finance small traders?—Only to a small extent, I think.

8023. Do you know if cultivators go in for postal cash certificates or invest in savings banks?—They do not.

8024. Who puts money in these?—It is only people from the urban areas. The agriculturists generally do not save anything.

8025. In a good year, if the prices are high, they must be saving something?—They have to pay their old debts.

8026. Even the big agriculturists?—Yes.

8027. You say: "The members of the savings banks establishments could be more courteous and helpful and sympathetic." Have you heard any complaints about their being discourteous?—Yes.

8028. What do you think is the best way of inducing the better class of cultivator to deposit his money in some institution where it would be useful for the general trade or industry of the country? At present in some cases it is locked up in gold, or is hoarded, and it is of no use to the country, and the man himself loses interest?—I think, it is not hoarded as there is very little to hoard.

8029. Do they not invest in ornaments?—Very few people do that. There is very little surplus even in a good year, because they are heavily indebted.

8030. Are you familiar with the working of the indigenous banking system here?—No.

8031. *Mr. Kamat*: You said that people have very little surplus. From your experience generally would you say that people become more and more indebted, or has their position been better?—It is not getting better.

8032. Do they spend too much on *bhangs*, drinks and other vices?—Yes, they spend, and I think, it is very difficult to cure it.

8033. Supposing these extravagant customs were curtailed by propaganda or anything, would that improve their standard of life and reduce their debts?—It would reduce their debts at least, and it might improve their condition.

8034. You suggest that the system of licensed warehouses may be tried. Would that attract private enterprise to build warehouses?—I think so.

8035. And mere godowns without regulated markets would be of no use?—They would not be of much use; but they would be of some use at least.

8036. That is to say, if people who go to ginowners and find that there is a dispute, if they can go to the warehouses, it would be better?—Yes.

8037. Has the Revenue Department tried to attract private enterprise in this direction?—It has not been tried.

8038. *Professor Kale*: You have said that the credit allowed by the co-operative societies to the members is cheap and facile. Do you suggest that the rate of interest should be raised?—In some places it would be better to raise it a little.

8039. So as to restrict the *khaddar* wings?—Yes.

8040. Will you not drive the members into the arms of the *soucars*?—They are going to them.

8041. They will have to pay higher rates of interest?—Not so much higher than now.

8042. What is the rate of interest charged by *soucars*?—In this part of the country it is 9 to 12 per cent. on an average.

8043. Do you mean that there is not much difference between the rate of interest charged by co-operative societies and *soucars*?—Not much here.

8044. *Mr. V. L. Mehta* : About your views about the rate of interest for agriculturists, some witnesses have said that the rate should be still further reduced, because it is a very important factor in the cost of production. Do you agree with that opinion?—I do not.

8045. About the drainage schemes you spoke of, are they not works of public utility?—They are.

8046. Would it not be the duty of Government to take up this work?—They are taking it up.

8047. Have you any experience of treasury work?—Yes.

8048. Have you heard of a suggestion that the management of a sub-treasury should be handed over to the district co-operative bank or its branch? How would you like the proposal?—I do not favour it.

8049. What are the difficulties? Are there accounts difficulties or administrative difficulties?—Administrative difficulties chiefly, and accounts difficulties also.

8050. While you were in charge of treasuries either here or in any other district, did you have very much to do with the issue of supply bills or the payment of supply bills issued from Bombay?—Yes, in Kaira.

8051. Are the terms fairly well-known?—Yes, they are fairly well-known.

8052. Have the arrangements for supply bills to be made with the Deputy Controller of Currency in Bombay?—Yes.

8053. So local bankers will have to approach the Deputy Controller of Currency in Bombay?—Yes.

8054. What exactly is the reason why the local treasury officers are not empowered to enter into arrangements?—Because he is the central authority to arrange about the finance.

8055. *The Chairman* : Are supply bills issued from all the sub-treasuries?—Not from all, but from some. The power is given by the Deputy Controller of Currency.

8056. Would there be any difficulty for all sub-treasuries to issue supply bills?—They do not do it as there is no necessity.

8057. If it is necessary, would there be any difficulty?—There would not be any difficulty. The limit is prescribed.

8058. Do some of the foreign mercantile firms such as Messrs. Ralli Brothers make special arrangements for cashing their drafts at sub-treasuries?—I am not aware of that.

8059. Do you think arrangements could be made at sub-treasuries both to issue supply bills and to cash them up to a limited extent?—Yes.

(The witness withdrew.)

Mr. G. G. Desai.

Mr. NAGJI DABHAI of Jambusar.

(Summary of Replies to the Questionnaire in Gujarati.)

There are three classes of soils—*gorat*, *chapda* and *kali*. *Gorat* land is utilised for two varieties of crops, viz., (1) cotton and (2) *codra* and paddy.

Cost of cultivation of cotton per acre is Rs. 28-14-0. Value of crop is Rs. 75. Cost of cultivation of *codra* and paddy per acre is Rs. 28 and 4 as. Value of crop Rs. 35.

Cost of cultivation of *chapda* soil per acre is Rs. 28. Value of crop is Rs. 75.

Cost of cultivation of black soil for cotton Rs. 14-14-0 per acre, value of crop Rs. 30; for *juar* cost Rs. 11-8-0, value of crop Rs. 16; for wheat cost Rs. 12, value of crop Rs. 18.

If the cultivators till the land themselves, and if the number of the family is large, agriculture would pay.

Since last year a land mortgage bank has been established in our district for giving long-term credit to agriculturists.

The *sowcars* charge interest at the rate of 12 to 25 per cent. and deduct 1 anna to 1½ anna per cent. at the time of advance. The borrower has, further, to buy articles for household requirements from the *sowcars*, who makes a profit in all directions.

The rate of interest in respect of *taccavi* is low, but the cultivator has to propitiate *talatis* and *karkuns* and he gets only Rs. 90 out of a loan of Rs. 100.

The co-operative societies do not advance at the right time and the cultivator has to borrow from the *sowcar* at heavy rates of interest.

(Summary of Oral Evidence in Gujarati.)

I am from Ankhi, *taluka* Jambusar. I have 65 acres of land. I pay an assessment of Rs. 300.

There are about one hundred agriculturists in my village. I am the Chairman of the Co-operative Society. Our working capital is Rs. 8,000. Agriculturists get money from Government as *taccavi* during bad years only, and from co-operative societies at all times. Members of societies have to go to *sowcars* also. For current needs they get loans from societies, and they have not to go to *sowcars*. They do not require any money for land improvement.

The cost of cultivation of cotton per acre in *chapda* soil is Rs. 28 and the value of crop is Rs. 75. The cost of cultivation of cotton per acre in black soil is Rs. 15, and the value of crop is Rs. 30.

Agriculturists who are not members of societies find difficulties of finance, and they go to *sowcars*. The *sowcars* charge them 12 to 25 per cent. interest. Poor agriculturists have to sell their cotton to *sowcars* at much lower prices.

Most agriculturists sell their cotton in villages to the *dalals* of gin-owners, and these *dalals* take the cotton in their carts to Jambusar. There is no difference in prices in the village and in Jambusar.

There are no purchase and sale unions in my village. It would be harmful if such a society is started. In one place the purchase and sale society did not work well.

In a good year the people would have some savings. They first repay the debts and then only buy some land. Agriculturists deposit in post office savings banks; they do not invest in postal cash certificates. They have no difficulty in withdrawing their deposits.

(The witness withdrew.)

**Mr. C. A. PANDYA, B.A., LL.B., District Honorary
Organiser, Co-operative Credit Societies, Borsad.**

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—(a) A rare percentage of agriculturists can manage for themselves for this expenditure of current needs of cultivation, but they are intelligent and self-sufficient.

The next grade of agriculturists, who raise money crop, such as tobacco, etc., to an appreciable extent, has to resort to *taluka* or local money-lenders who apparently charge a less rate of interest than what co-operative credit societies do, and recover the amount after the sale of the produce.

The third class of agriculturists, who are generally the needy, has to resort, generally, to petty local money-lenders of the villages who give them something in cash and the rest in kind, but these agriculturists being usually ignorant and wanting in credit as well are fleeced, and a good deal of produce in kind has to be parted with in return.

The last class of agriculturists, which comprises persons having very little credit and hardly anybody to stand as surety and with no landed property, has to resort to Pathans and other money-lenders who charge one anna per rupee per month as interest.

Agriculturists of the second and the third class, generally where there is a co-operative society, are the members of that society and as such they are financed by the society for their current needs in cash. Some of them who are diligent and appreciative of small profits do improve their financial condition thereby.

(b) Generally, that class of agriculturists who are owners of 20 or 30 *bighas* of land stand in need of big loans either for constructing wells or erecting any other improvement. For that they either raise a loan by mortgaging their land to *sowcars* who charge a reasonable rate of interest from 6 to 9 per cent. on such security, but the period of instalments is not sufficiently long; while in the interval they are forced to pay a higher rate of interest, and besides they are put to expenses of registration and stamp.

Also Government do advance loans for this purpose, but people, who generally want loans at an early date more as a result of some temporary reason, find it difficult to secure it in time. Also co-operative societies afford relief to individual members up to a limited amount of Rs. 750, as well as for larger amounts, if the members form a separate society.

(c) Government is the only agency to look after the general needs of agriculturists in such times. Also with regard to a better class of agriculturists, *sowcars* come to their aid to a limited extent; and co-operative societies give them relief either by way of postponement of instalments or by advancing loans.

The rate of interests varies from 6 to 18 per cent. according to the credit of the agriculturists in respect of advances. The period for which loans are taken varies according to the purpose for which the loan is taken which is generally from one year to three years.

Generally in the case of big amounts, landed security has to be given. As regards the rest, personal bond or personal surety or ornaments serve as the security.

Government advances loans only in time of scarcity or famine year and sometimes for improvement purposes but the relief is not general and adequate. Then comes

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money-lenders and co-operative societies or banks. The money-lenders vary in type. Some respectable money-lenders look to earning a moderate rate of interest and generally deal with a better class of agriculturists with good credit. They are a useful class on the whole, but their resources are crippled because nowadays they do not receive the same amount of deposits from other people because of the better rate of interest secured elsewhere. The other class of the money-lenders, generally local men of the villages themselves following an agricultural profession, who have laid by a few thousands of rupees, resort to money-lending among the ignorant people of that village. Their sole object is to earn exorbitant return by way of interest and they have an eye to secure the land, if any, owned by their debtors.

Co-operative banks and societies which have stepped in of late do advance money to the members at a uniform rate of interest but this financing is of a limited amount and to a few members of the village. Generally the rate of interest in the village is kept in check by this institution, and it has benefited industrious and intelligent agriculturists by liquidating their debts on mortgage of land, etc.

In villages, agriculturists with slender resources stand in need of grain during the sowing season and local men of the village advance them in grain but when the crop is ready, they have to pay to these local men 25 per cent. more over and above the higher rates at which the grain may be sold to them and purchased from them.

Generally these financing agencies act independently and there is no co-ordination. The result is that there may be overlapping in finance and the ignorant agriculturists, instead of being kept in check with regard to their liabilities, sometimes worsen their position.

To obviate this, where there is a co-operative society working with better machinery, with good members and classed as A, the members of such a society in order to set an example to others should be made to disclose all their debts; then they should be made to resort to the society only for their financial needs, thus eliminating any other agency. The result may be watched for a few years; if it is favourable, the others may improve themselves. But for this purpose a very good amount should be found in the district, and if this can be secured at a little cheaper rate of interest by way of encouragement, it will prove a real boon to the good agriculturists, teaching them other higher principles than monetary only.

Where there is a co-operative society, the Government look to the co-operative society for financing members and they always advance loans through the society.

QUESTION 2.—In this part of the district, tobacco is the principal money crop for which a regular net work of agencies is established. At various places there are various *dalals* who charge commission from the buyer as well as the seller and other perquisites. They are responsible for money which is paid generally after a particular period and if they want ready cash in hand, they charge a discount of 10 per cent. or so; thus agriculturists have to depend upon the influx of outside buyers for the realisation of prices. If the demand, when the crop is ready, is not great, better prices cannot be realised for their crops as they stand in need of money and they have to sell off. In this connection, if co-operative sale societies of tobacco can be formed, then they can afford to wait and can get advances on their produce to meet the expenses of cultivation. But the difficulty is that there are different gradations and kinds of tobacco, and also because of the complex nature in marketing system existing at present, the business morality is not high. If some good persons come forward and set an example there is every chance of waiting till

better prices are realised and establishing direct contact of the buyers with the sellers, thus eliminating the middlemen. As regards cotton, there is not much complexity as in the case of tobacco.

QUESTION 3.—The value of land per acre differs in different *talukas* and different tracts of the same *taluka* from Rs. 20 to Rs. 500 and Rs. 1,000 even. The value depends more on the class of cultivators existing there and on the tenure and also in some parts the lands being in the hands of persons not likely to part with them unless forced by circumstances in which case fancy prices have to be paid for. Of late land is considered as the best security and, therefore, the return is not in proportion to the prevailing ordinary rate of interest even. Land sold in Government auction for not paying land revenue is generally not much cared for and the value realised is very low. Land sold by court decrees, if it is good land and in a better area, may fetch value even equal to that by private negotiations though generally sales by private negotiations always fetch better prices.

QUESTION 4.—In the case of *narva* Tenure which is prevalent in certain *talukas* of the district, lands are not freely mortgaged. There is no land mortgage bank in this district. In this district, in certain *talukas* like Borsad, Anand and some portion of Nadiad and in some other parts, good agriculturists owning and cultivating lands themselves do stand in need of long term-loans for improvement and a land mortgage bank with a large capital and moderate rate of interest would be a boon to them and to secure sufficient capital for such banks Government should interest themselves and lay aside or make available greater portion of capital at about 4 per cent. Without that there is no hope of a successfully running one of that sort.

QUESTION 6.—So far as this part of the district is concerned, comprising Borsad and Anand *talukas*, there is a good field for rearing buffaloes, etc., as milk is being sold for dairy purposes in almost every village. If steps are taken to form societies for improving the breeds of buffaloes, quality of milk and establishing small centres for dairy or creamery, this may afford some source of income to the agriculturists throughout the year. For any part of the district that may form any such society, Government should afford relief in the first instance by way of Government loans free of interest for a particular period, make some other grants to meet some extra expenditure or loss and help them in establishing direct connection with purchasers at big centres.

QUESTION 6A.—There is a great scope for weaving industry. This profession is generally followed by a class of *dheds* who are also agriculturists but they are saturated with old ideas and do their work in their old crude manner. They require to make improvements in their methods by propaganda and practical demonstrations and the other class of people, *viz.*, *dharalas*, who stand in need of some allied industry, if they can be persuaded, which they are likely to do in their self-interest, stand to gain. As regards the rest, co-operative credit societies can step in and arrange for the yarn and also for the sale of the produce.

QUESTION 7.—The Co-operative Movement has tried to meet current financial needs of the members to a greater extent, though to meet all their needs and to be considered as the only financial institution of the members in the villages, a good deal requires to be done.

First, by their own internal worth so as to attract local and outside deposits as well as sympathetic consideration at the hands of the Government to place major portion of capital required at the disposal of the co-operative agencies at cheap rate of interest so

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as to attract a better class of agriculturists of the villages as members. This assistance may be required for some years only as later on these societies may become self-supporting.

QUESTION 8.—The application of the Dekkhan Agriculturists' Relief Act in this district, with the present definition of agriculturists therein, has affected the advance of money to big landholders who never cultivate themselves and as a result has eliminated a better and respectable class of money-lenders. The result is the growth of a new class of money-lenders who are more unscrupulous and exacting, to the detriment of poor people. So the definition of agriculturists in the Act requires to be modified. It may be restricted to real agriculturists who cultivate the land themselves, excluding all the landholders who own 50 *bighas* and more. As regards small suits of the value of Rs. 25 and below that, machinery like village *munsiffs* should be created so as to lessen the expenses of the civil courts. As regards money-lenders with small capital, who are generally local men of the villages and who deal with poor ignorant agriculturists and who have been found more exacting and unscrupulous, and professional money-lenders like Pathans, some legislation for licensing good people to follow this profession with proper safeguards of keeping proper accounts is necessary.

SECTION III.

QUESTION 1.—Co-operative societies, where they are run on sound lines and where the people inspire confidence, attract local deposits and provide means for financing the members. To this extent the Movement has succeeded.

QUESTION 2.—Postal cash certificates seem to be very popular with the middle class men who used to deposit their surplus money with local banks or good local *sowcars*. Usually they do not give interest more than 3 to 4 per cent. and with the rise in the standard of living, all look to the better return for money, but this has resulted in the withdrawal of deposits from local *sowcars* thus curtailing the circulation of money which has affected adversely the credit of the people in the rate of interest they have to pay.

Oral Evidence.

8060. *The Chairman* : Mr. Pandya, you are a District Honorary Organizer, Co-operative Societies ?—Yes, I am in charge of Borsad, Anand and Thasra *talukas*. I am a practising pleader in Borsad. Before that, I was a Government officer in the Revenue Department in Kaira district.

8061. You have a good deal of experience about the economic condition of agriculturists in the Kaira district during the last few years. Leaving aside the last three bad years, has the economic condition of agriculturists improved or has it been stationary or has it deteriorated ?—In the case of good agriculturists, who could command their own capital, they have bettered their condition. In the case of others, who own lands, many of them have lost their lands and have reduced to the position of tenants, lands having been passed to *sowcars* or to *patidar* cultivators.

8062. What is the condition of *dharalas*, who had land under the ordinary tenure ?—They have lost their lands. There is very little land on the restricted tenure.

8063. Is this deterioration of the condition due to want of adequate financial facilities ? Is that the main cause ?—I attribute it to general backwardness from the point of view of education. They do not understand and appreciate any advantage of co-operative credit societies, etc.

8064. Would the provision of financial facilities on reasonable terms appreciably better their condition?—If they are left to themselves, they will not improve. I have experience of starting co-operative societies in *dharala* districts. In the beginning the Movement was successful, but later on it failed.

8065. Can you suggest any other scheme of financing these backward classes?—There should be some sort of control over them. If they take loans from a certain agency, they should be debarred from taking loans from others.

8066. Does it not matter which agency they are to take credit from?—If it is through co-operative societies, it would be better than borrowing from money-lenders.

8067. Supposing they get money from co-operative societies, would not the *sowcar* be able to bring pressure on them?—We cannot improve all of them, but certain people can be freed from the clutches of *sowcars*.

8068. Would the *dharalas* be able to form a committee?—They can form their own committee though they may not be literate.

8069. Have the higher classes no difficulty of finance?—There are many *patidars*, and some can manage without finance. There are three classes of *patidars*. The middle class require finance, and they can pay us by the sale of the crop, but there is another class which can be put on the level of *dharalas*, who are not able to pay out of their crop.

8070. Does that mean that they are not able to make the two ends meet?—Yes.

8071. In their case, financing is not possible; is that what you mean?—They are not reduced to such an extent that they cannot improve.

8072. If they can get finance at reasonable terms, do you think they would improve?—Yes.

8073. To what extent the societies have helped the second and the third class?—We cannot finance all. In a village we have to limit the number to 100 or 130 at the most. And generally when we start societies, certain good people do not join, and therefore, we have to take in indifferent members as well in the beginning, and afterwards we have to exclude good members owing to limited resources as well as limited membership.

8074. If the number is exceeded, could not that number be increased, or new societies started?—In that case our difficulty is that the remuneration of the secretary is not commensurate with the labour and responsibility he has to undergo. And the committee members also do not come forward from the first class, who can be of help in the village. The people, when they are in a better condition, leave the society, and if they have money, they work in competition with co-operative societies and themselves lend money. So our difficulty is that in a village those who are in a position do not work, and the committee members, who are secured, are not alright themselves. They themselves are indebted, and sometimes they take money from the society, and do not pay up in time, and naturally they cannot exert that moral pressure that we expect from them over other members. Wherever we find that we have some persons, who are disinterested and honest, we start a society, which can raise capital to the extent of Rs. 20,000.

8075. How many societies of such sort are there?—There are one or two in Borsad *taluka*.

8076. How many societies are there in these three *talukas*?—About seventy-five.

8077. How many of these are working well?—About fifty per cent. in Borsad *taluka*, about thirty-five per cent. in Anand *taluka* and about fifty per cent. in Thasra *taluka*.

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8078. Are these societies able to finance their members adequately ?—They finance adequately of late, because we have adopted the system of preparing maximum credit statements.

8079. Is the finance given in time ?—Yes, if the statements are prepared in time.

8080. Are the statements prepared in time ?—That depends upon our exertion ; we have to guide them.

8081. How many of the societies prepare their statements ? Would it be about fifty per cent. ?—Yes.

8082. Are there supervising unions in these *talukas* ?—We have one in Anand and one in Borsad *taluka*, and we are thinking of having one in Thasra *taluka*.

8083. Has the starting of supervising unions helped the societies in preparing statements ?—Yes.

8084. Are these members of societies heavily indebted, or are many of them freed from debt or are likely to be freed ?—Many of them are indebted.

8085. Have any schemes been prepared for relieving them from the debt ?—Not in the case of all, but in certain good societies, we try to redeem them from debts.

8086. What is your experience ? Do they pay instalments regularly or do they go back to the *sowcars* ?—Generally they do not go back to the *sowcars*. There may be some exceptions, where they become indebted again.

8087. Is that the case with *patidars* or *dharalas* ?—The *dharalas* are improving too.

8088. Do people in your *talukas* go in for land improvement ?—They stand in need of erecting power pumps at present, and for that purpose they require finance.

8089. Do they not get finance at present ?—Some of them are members of the society. They have lands worth fifteen to twenty thousand rupees, and if they want about five thousand rupees, they approach the society.

8090. Have any advances been taken ?—In one case seven thousand rupees were taken. Some other applications are under consideration.

8091. Do you think *taccavi* is the best form of advance for long-term loans to carry out land improvement ?—Yes.

8092. Is there any difficulty in getting this *taccavi* for members of co-operative societies ?—We have submitted some applications. Now they stand in need of these loans very urgently. We have examined the schemes and we have submitted the papers. If the loans are not advanced in time, the advantage cannot be appreciable.

8093. Do you think it is necessary to expedite the disposal of these applications ?—Yes.

8094. Is there any difficulty in doing so ?—No.

8095. There must be some fairly well-to-do cultivators in this tract who have a certain amount of surplus in good years. Where do they keep this surplus ?—They purchase new lands. With a view to acquiring land they advance on mortgage of lands.

8096. Are these agriculturist *sowcars* better than the ordinary *sowcars* or are they worse ?—I think they are more extortionate. They care more for acquiring the land than for the money.

8097. In reply to question 1 you say that the rate of interest of local money-lenders is apparently less than that of co-operative societies ?—In the case of good people I have

suggested this. When they offer land as security, they can get at the rate of 6 to 9 per cent. 9 per cent. is the highest rate on the security of land.

8098. At what rate does the bank advance to societies ?—At 8 per cent.

8099. But you say 'apparently' they charge a less rate of interest. Is the real rate higher ?—If we take into account the registration charges, the stamp charges, *vatav*, etc., ultimately it may come to the co-operative rate.

8100. This is in the case of first class credit. What would the rate of interest be in the case of second and third class men ?—The second class men need not pay a high rate, but the third class men have to pay a high rate.

8101. Are there many Pathans here ?—There are some.

8102. Is their number increasing ?—No.

8103. With whom do they deal ?—They deal with people who have no credit.

8104. Have people in your *taluka* taken much *taccavi* in the last two years on account of floods ?—Yes.

8105. Has it affected co-operative societies' recoveries ?—Not appreciably.

8106. In the case of long-term loans for debt redemption or for land improvement what is the usual period of repayment of these loans ?—It is 3 to 5 years.

8107. Is the repaying capacity of a borrower sufficient to enable him to repay his amount in five years ?—Ordinarily we find that the term is not sufficient, but if money is locked up like this we have not sufficient money to advance and meet the increasing demands.

8108. In that case the man has to borrow from outside in order to pay the instalment ?—He has other lands.

8109. Has he the repaying capacity to pay his ordinary loans plus this long-term loan ?—He might feel some difficulty.

8110. Supposing the borrowers are unable to repay the instalments, would it not be better for you to advance to a few persons and give them longer instalments rather than to advance to more persons and ask them to repay in a shorter period ?—It would be better on the whole.

8111. What period would you suggest ?—Ordinarily we advance Rs. 750. For Rs. 750, I think, seven years' period is enough.

8112. But do not some people require more than Rs. 750 for redeeming their debts ?—Yes.

8113. Has redemption work not been taken in hand for want of finance ?—No.

8114. Is there no land mortgage bank ?—No.

8115. You say that there are a good many respectable money-lenders. Are you referring to *shroffs* in *taluka* towns ?—Yes.

8116. They suffer from want of capital now because higher rates are obtainable elsewhere ?—Yes.

8117. Do many agriculturists go in for postal cash certificates ?—No. These *shroffs* used to receive deposits from middle classes who have now taken to postal cash certificates.

8118. In your opinion this investment in postal cash certificates from the point of view of district finance is not a desirable thing ?—No, it is not a desirable thing.

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8119. Its high rate of interest attracts the people to go in for it, does it not ?—
Yes.

8120. If the rate of interest on cash certificates is reduced, do you think that more money would be coming into the hands of *shroffs* ?—The money will be utilised in *talukas* and in districts.

8121. Would *shroffs* be able to lend at a lesser rate of interest ?—Yes.

8122. How many *shroffs* are there in Borsad ?—There are 3 *shroffs*.

8123. Has the number been reduced during recent years ?—Yes.

8124. Owing to what ?—Owing to the application of the Dekkhan Agriculturists' Relief Act.

8125. Do *shroffs* advance to agriculturists or do they mainly advance to traders ?—They advance to agriculturists also.

8126. Have they suffered in their dealings with agriculturists ?—Yes.

8127. You say in your statement that members of co-operative societies should be made to disclose all their debts. Do they not disclose their debts now ?—There is no agency to get this information properly.

8128. Do you mean to say that the information given by agriculturists is not correct ?—Yes.

8129. As regards marketing of tobacco which is one of the most important crops in your district, is it sold in the village or is it taken to market places ?—It is sold in the village through a *dalal* who may belong to that very village or to a neighbouring village and then outside buyers come to him and he approaches these people in the village.

8130. Is the *dalal* for the buyer or for the seller ?—He becomes a *dalal* for both parties and he charges commission.

8131. Does he work in the interest of the buyer or in the interest of the seller ?—He works in the interests of both. The buyer is an outsider and the seller is from his own village and, therefore, he works in the interest of both.

8132. How is the price fixed ? Do villagers know the price ?—Generally they do not know the price, but it all depends upon the demand. Generally they know that in a particular village tobacco of a particular type usually fetches a particular price.

8133. But it varies from year to year, does it not ?—Yes.

8134. Do villagers know what is the prevailing price to-day or to-morrow ?—No. They are ignorant.

8135. Have they to depend upon the *dalal* ?—Yes.

8136. Perhaps if more than one buyer come to a village they might be able to know from them ?—But the buyers always come through *dalals*.

8137. Does the buyer pay immediately the value thereof ?—No. It is the *dalal* who is responsible for payment.

8138. Have agriculturists suffered any loss ?—No. The loser will be the *dalal*, if any.

8139. After how many days do these people get money ?—After a month or two. Grading is the main difficulty.

8140. This can be done as is done in the case of cotton sale societies, can it not ?—Yes, and the other difficulty is because of this complex system the cultivators also have adopted undesirable ways. They mix along with tobacco certain rubbish and make

up the weight in order to compensate them with regard to the price or the money that they have to realise. To overcome all these difficulties my suggestion is that if a society is started, all these things would be remedied and they would derive benefit.

8141. Would there not be any difficulty about finance ?—The society would sell it to a merchant and take over the responsibility of payment to the cultivator.

8142. Do not these buyers sometimes default ?—Yes, but the *dalals* are generally careful to take *hundis* or something of that sort.

8143. Do they take *mudati hundis* ?—Yes.

8144. Do you know of cases where such *hundis* have been dishonoured ?—In that case a suit will have to be filed.

8145. Does it not mean litigation ?—Yes, but in rare cases it so happens.

8146. Usually the merchants pay ?—Yes.

8147. Do not the cultivators mind waiting for a month or two ?—When they are in need of money they get the amount at 10 per cent. discount.

8148. Do you think that this business could be done by co-operative sale societies ?—Yes, if we could secure good persons to manage the same.

8149. Has the formation of such societies been tried or considered ?—At certain times when the demand is not great these people have to sell the produce at a very low rate. So if a society could be started it would really be an advantage to cultivators. From one village certain good people had approached me and said that if a society could be started, they would be benefited. If they take certain shares, we can advance also up to 50 or 60 per cent. so that they can meet the demands of persons to whom they have to pay.

8150. Do you think that the proper sort of management will be forthcoming ?—It all depends upon the man whom we secure. In the first place, this is a complicated business. If the man is honest and all that, he can get also a good remuneration. If good people come forward then there is no difficulty to give him sufficient remuneration.

8151. Is it a fact that sometimes cotton lies in the warehouses of merchants at least for a year or two for want of demand ?—When rates go down like anything, it is so.

8152. What are the other important crops in this district ?—In Thasra there is good cotton. The only other principal crop is tobacco.

8153. Does the *narvadari* tenure come in the way of agriculturists getting credit ?—Yes.

8154. Would it be possible to abolish this tenure ?—No, they would not like it.

8155. They do not mind their credit being restricted but they want the tenure to be preserved, is that so ?—Yes.

8156. *Professor Kale* : What is the distinction between *narvadari* and *bhagdari* ? Is there any radical difference ?—So far as the Act is concerned, the principle is the same.

8157. *The Chairman* : Do you say that the milk industry is a very important industry in these three *talukas* ?—Yes.

8158. Does it require finance ?—We thought of starting one society at a central place and we had even taken share capital but it has fallen through somehow or other. One man who had come forward to undertake this work and whom we trusted did not perhaps like to undertake this work and the matter fell through.

8159. You say that it is the want of good management that comes in your way of starting creameries rather than finance?—Yes.

8160. Are there creameries in these *talukas*?—Yes. They are run by private persons. For every two or three villages there is a creamery.

8161. Does it pay a good return?—No; because people also mix water with milk. This means that people who have milk industry do not give sufficient nourishment to buffaloes. If a creamery is started, they can get better price and see that the buffaloes are also sufficiently nourished.

8162. You recommend that certain classes of money-lenders with a small capital should be licensed. I presume you want to exclude the *shroffs* and better money-lenders also. If legislation has to be undertaken for licensing this class of money-lenders, how would you distinguish between the two?—You might include all the classes and I have no objection.

8163. In some places *shroffs* object to this class of registration. They say that they trade upon their own capital and they do not force anybody to borrow from them and so why should they be registered?—But if legislation is passed it may be applied to a particular class as well.

8164. They both advance money. How would you distinguish them?—My own idea is that it should be applicable to all classes.

8165. *Mr. V. L. Mehta*: Besides the scheme of encouraging for power-pumps set up by individuals, have you any co-operative power-pump society?—We have one.

8166. Is it working well?—It would have worked well if there was good management.

8167. Would you like this work to be undertaken by individuals or jointly or by co-operative societies?—Our experience has taught us that if we can have good management and also a certain credit is raised, the co-operative society would do well in places where water is being required every year.

8168. There is a general impression that the well-to-do cultivators stand off from the Co-operative Movement in Kaira district. Is this impression correct?—It is only because of the high rate of interest that they are off from the Co-operative Movement.

8169. Or are they afraid of the unlimited liability?—No. Generally they know that even if the society goes into liquidation nobody has to bear any loss.

8170. Do you think that if the rate of interest is lowered, this type of cultivators would come in?—Yes.

8171. Do you think that this kind of admixture of well-to-do cultivators with the weaker people will be advantageous?—Yes.

8172. *Mr. Kamat*: Does your jurisdiction as a District Honorary Organiser extend to the whole district?—No. It only extends to three *talukas* of the district.

8173. Do you think that it would be a good thing if an organiser specially for non-credit societies were to be appointed?—I think if a special man is to be appointed then a paid servant would be better.

8174. Would you agree that if more sale societies or more co-operative creameries were to be attempted, this sort of work would be rather too much for an honorary organiser?—Yes. A paid servant would be better.

8175. Would he be able to promote the co-operative sale societies?—Yes.

8176. Looking to the marketing conditions in this district, do you not think that more sale societies would be an advantage ?—Yes.

8177. What is the condition of the *taluka* development associations here ? Have you any idea about them ?—I am also on the managing committee.

8178. Is it true that collections are not properly made and subscriptions are always in arrears ?—At certain places it is so. Where there is a permanent income, there is no difficulty of approaching individual members every year for subscriptions. So far as Borsad *taluka* is concerned, we have secured about Rs. 12,000 to Rs. 13,000 which fetch an interest of about Rs. 800 to Rs. 900 per year. But in some other associations they have absorbed the capital and perhaps they would come to grief.

8179. How many urban banks are in the Kaira district ?—There are hardly two or three urban banks.

8180. What is their working capital ?—Our experience is that both of them are not working alright. We are thinking of taking them away from that category and reduce them to the position of a credit society. That is to say urban banks in the Kaira district have not been in a very flourishing condition.

8181. Is there a students' co-operative society in the Kaira district ?—Yes. There is the Charotar students' co-operative society.

8182. How is it working ?—It is working alright.

8183. Are you in touch with the cotton sale society at Thasra ?—As a District Honorary Organiser I am in touch with it to a certain extent.

8184. Are they carrying out the purposes of a sale society efficiently ?—Yes.

8185. I find that their total turnover in the sale of cotton is worth about Rs. 2½ lakhs and the net profit is only Rs. 564 ?—They bring a good quantity and sell it to the ginnery men. They do not realise a proper profit from them.

8186. Does it indicate that the society is not managed efficiently ?—No. It is managed alright. The man at the head is a trustworthy and a very careful man. The only advantage that the members reap is that they get 50 or 60 per cent. of the value on the security of cotton.

8187. You may have a good manager to manage the society, but do you agree that until the circle of buyers is widened or the ring of buyers is widened, the sale societies may not be sufficiently encouraging ?—Yes.

8188. Do you think that in this *taluka* societies for *zemindars* would be a great advantage ?—They are absolutely necessary from what I find because these big landholders are not now members of societies wherever they exist. They come and approach us to find money and we are not able to do.

8189. What is the present difficulty in starting a special society for these big landholders ?—Wherefrom are we to bring money. Our district bank is not in a position to finance. As a matter of fact these *zemindars* have a good security and they can be financed.

8190. If a land mortgage bank is started, would there be any necessity for a special *zemindars'* society ?—No.

(The witness withdrew.)

**Mr. CHHOTABHAI DWARKADAS PATEL of Traj, taluka Matar,
Zilla Kheda.**

(Summary of Replies to the Questionnaire in Gujarati.)

The rates of interest in the Matar taluka and Mehamadabad are as under :—

6 per cent. for the superior class of borrowers (*Patidars* owning large tracts of land).

3 to 5 per cent. for discounting *kundis* and 9 to 12 per cent. for loans for the middle classes (*Patidars* owning 20 *bighas* of land).

For the poorer classes (those owning small tracts of land) 10 to 20 per cent. discount rates and 12 to 24 per cent. for loans and 25 per cent. for seasonal advance for 4 to 6 months.

Co-operative societies are not a success as their rates of interest are too high for the superior class of agriculturists and the methods of work such as to militate against the interests of good class of borrowers. Unless the Revenue Department collects the dues of societies and unless members of co-operative societies are precluded by law from borrowing from others, the co-operative societies cannot function efficiently.

The Imperial Bank and the joint stock banks do not lend moneys to farmers.

The Revenue Department, the Department of Agriculture and the Department of the Registrar of Co-operative Societies should all work hand in hand in the interests of the agriculturists.

The small farmers are obliged to sell their goods to local merchants who take them to the markets in big towns where the goods are sold and used for local consumption or exported.

In this district such big markets are in Ahmedabad, Dholka, Bawla, Cambay, Nadiad and Mehamadabad.

Owing to the middlemen's profits, the agriculturists thus get less for their sales and pay more for their purchases.

There should be sales societies in each taluka and co-operative societies and their banks for making advances to agriculturists. There are no such facilities now.

Land mortgage banks would be a boon. In order that they may be able to make advances at low rates of interest, the major portion of post office savings banks deposits should be placed at the disposal of such banks and co-operative banks on easy terms.

In districts liable to famine conditions agriculturists have to give up cultivation and serve as labourers.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I have been a district honorary organiser in Matar taluka since 1917.

I have 125 acres of land, and I pay an assessment of Rs. 100 only, because I have some *inami* lands.

From 1900 to 1911 the condition of agriculturists was bad; from 1911 to 1923 it was good, and from 1923 to 1929 it has been worse, because of scarcity of rain, flood and frost during the last few years.

The agriculturists are heavily indebted to co-operative societies and to *sowcars*. If there are at least ten good years, they will be able to repay their debts. Government should advance them loans for repayment of their debts, and Government should recover the loans from the produce, which the co-operative societies or the joint stock banks cannot do. In bad years Government should bear the loss. The condition of agriculturists in Matar *taluka* is very bad; though there is some irrigation, there are difficulties of water.

The *sowcars* charge 9 to 20 rupees as *vata*, that is instead of Rs. 100 they give Rs. 80 only. The *sowcars* charge 12 to 24 per cent. interest, and the co-operative societies charge only 9½ per cent.

The principal crops are *danger* and wheat. The agriculturists sell their produce to petty traders in villages, and the *dalals* buy from petty traders and bring it to Nadiad and Ahmedabad. There is no sale society in my *taluka*.

Many agriculturists have turned into labourers, because agriculture does not pay them.

I am of opinion that a land mortgage bank should be started for the whole of Kheda district. It would be difficult to get enough capital in the district. This bank should be for big agriculturists, and Government should advance loans to small agriculturists. Government should take possession of the crop, which cannot be done by co-operative societies.

Members of co-operative societies should take money from the societies only and not from outside.

Many agriculturists have taken advantage of *taccavi*. They have not been misused, and wherever there are co-operative societies, these loans have been repaid. Some *taccavi* still remains to be repaid, but the amount is less than the amount of indebtedness to societies and *sowcars*.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Wednesday, the 27th November 1929.

Wednesday, November 27th, 1929.

BROACH.

PRESENT :

MR. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

MR. B. S. KAMAT.

MR. V. L. MEHTA.

Professor V. G. KALE.

Mr. R. P. MASANI (*Secretary*).

Khan Bahadur PIROJSHAH R. VAKHARIA, Merchant, Broach.

Replies to the Questionnaire.

1. Cotton is one of the main items of crop and one important industry is ginning and pressing cotton.

2. Cotton (unginned) is never brought by the farmer, excepting in very few cases to the market. He always finds buyer on spot and derives better rates owing to keen competition. Only in Jambusar some more *kapas* is brought by the cultivator himself to the market for sale.

3. The middleman is generally a broker and buys on account of merchants and factory owners. The payment is made on the spot and weighment made by the weigher of the village who is the weigher for the whole village. In a few cases the buyers bring the *kapas* to the factory and sell to that factory which pays highest. They are paid by the factory owner as soon as weighment is made. The *kapas* is originally weighed in the village and again weighed in the factory, so that there is no chance of mistake in weights.

4. The whole of *kapas* crop is financed by the factory owners. The factory owner is generally the merchant himself, but in case there are other people wishing to trade, they have to be financed by the factory owners.

5. The factory owner is financing himself, partly by receipts of money in lieu of cotton delivered against sales to cotton purchasers like Ralli Bros., Volkart Bros., Japan Cotton, Toyo Menka and other native firms, and partly by his own resources and credit.

6. The ultimate funds come from the Imperial Bank, which provides funds to the extent of rupees three to five crores varying according to the size of the crop. The daily payments by the Imperial Bank are sometimes so high as 15 lakhs of rupees, in the cotton season by way of discounting demand drafts. They advance money on cash credit system, long dated *hundis*, loan accounts and overdraft account. The Bank discounts draft at a very low rate of 1 anna per cent. and I think the most important and vital part in finance of marketing cotton is played by the Imperial Bank ; no other Bank would be able to cope with this work. The working of the Bank is quite convenient and sympathetic to the clients, who are given all sorts of facilities. The amount of work the Bank has to reject is either due to the clients not having sufficient

credit or feeling shy in availing themselves of the facilities given by the bank to lend money on stocks. People think it humiliating to take money from the Bank on stocks, with a board of the Bank.

7. The factory owner advances money to his clients even in the monsoon on personal credit. These clients who are all residents in villages advance money to the agriculturist either in cash or commodity and recover the same when the crop is ready and sold. The money advanced by the factory owner is returned during the season. In this way some factory owners advance during the monsoon pretty good amount according to their capacities. There are several factory owners, and a great deal of finance passes through them.

8. The rate of interest charged by the factory owner is generally 6 per cent. and in no case higher than 9 per cent. All the dealings done by them are on personal credit.

9. The farmer of this district cultivates grain especially lang, *juar*, *til* seed and some *tur* along with cotton so that he guards himself against total failure of crop and provides for immediate money, for grain is ready earlier for sale than cotton.

10. The credit of the agriculturist and the dealers is impaired, because of recent times they are now inclined to seek the protection of the Dekkhan Agriculturists' Relief Act and the Insolvency Act. The provisions of these Acts are such that the creditor is sometimes quite helpless to recover his dues and the debtors escape with impunity. Either the Acts must be acted upon very strictly or amended.

11. The native *shroffs* are few in number—an indication that the average wealth of the district town is decreasing. There were formerly *shroffs* who took very important part in financing the produce of the district, but now the resources and capacities of the *shroff* have come to be very limited, and also some of them have lost great amounts owing to the debtors taking undue advantage of the Dekkhan Agriculturists' Relief Act and the Insolvency Act and so have become extinct. They have not improved their methods with improvements in other trades and so have been thrown in the background. Their area of business covers dealings with small merchants and some of the merchants whose work is rejected by banks. The capital employed by them is very scanty and their working expenses ratio is high. They have not easy and convenient connections in Bombay and other important cities in the Presidency; the discount they charge is therefore very high and in many cases cannot take up that work. Their resources being limited the facilities they get from banks are limited, so that they cannot obtain necessary funds. If the firms doing business as *shroffs* were registered and their position more reliably known they may gain some credit. If they succeed in arranging with the Imperial Bank to discount their draft at a special rate or have cash credit accounts they can better augment their resources.

12. I should think that on the whole the financing of crop is not unsatisfactory. There are factory owners, the Imperial Bank and private money-lenders, who are doing their part of work with best intention and to their utmost. The ladder begins from the Imperial Bank with assigned places to factory owners, merchants, *kapas* brokers and ends with the farmer.

13. I do not know what part the co-operative societies can play in the financing of crops. Co-operative sale society or market systems would not be of advantage to the farmers, for at present they get best prices owing to competition among the factory owners. To give a concrete example as to how the cultivators get

better prices, I may point out that formerly Ralli Bros., Volkarts, Toyo Menka and other export houses were buying thousands of bales in the local market, but now the prices here are maintained so high that they have to buy their requirements in the Bombay market and only buy here at the most 25 to 30 per cent. of their requirement. The one co-operative society of which I am aware is in Jambusar taluka and I do not think it is a success. The efforts of Diwan Bahadur Malji and his assistants are quite praiseworthy, but the people are not ready or accustomed to this line of working. The certified warehouses or advances to hold up the crop are not necessary or advisable, for the season commences in February and finishes in May, and so owing to this natural limitation they have to sell off their crop within a particular period. Again if they want any financial help the factory owner is ready to advance them any amount of money on their *kapas* and so no other arrangement is necessary to be made. Again it is not necessarily that the farmer gains by holding out his crop, for the rates he obtains depend on the market tendency, both Bombay and foreign, and on the demand of ready cotton. These rates fluctuate and often the farmer loses by holding out, as for example last year the rates varied as follows :—

1929—

January Rs. 380 per candy of 885 lbs.
 February Rs. 390 per candy of 885 lbs.
 March Rs. 400 per candy of 885 lbs.
 April Rs. 365 per candy of 885 lbs.
 May Rs. 335 per candy of 885 lbs.
 October Rs. 340 per candy of 885 lbs.
 November Rs. 320 per candy of 885 lbs.

14. Regarding the agricultural credit, years back there was free lending to the farmers by the *shroffs* and the private money-lenders, but the farmers utilised the excess cash they had with them in buildings and buying lands at inflated prices, and afterwards when they were short of money owing to bad crops, they took protection under the Dekkhan Agriculturists' Relief Act. It made the recovery more difficult and sometimes impossible. Owing to this the credit of the agriculturists became impaired and the lendings narrower. Now the *shroffs* and many private money-lenders have stopped such dealings with the farmer who has now to provide his wants from co-operative societies, and if from private individuals, has to give very strict legal security such as cannot evade the Dekkhan Agriculturists' Relief Act. The farmer has now lost all personal credit.

15. As for the small industries there are none except a few, namely, the flour mill (grinding corn for domestic purpose in retail), rice milling and hullers. The cotton ginning and pressing factories are an industry in themselves and are in a way very important. The flour and rice mills are doing work in small quantities and are allied in a way to agriculture, but they do not require any funds for they have to stock no commodities on their account. The ginning and pressing factories are handicapped by many Government regulations and, though more in number than required, are sometimes badly placed to complete the work.

16. As for the marketing of cotton crop I have said sufficient in paragraphs 2 to 7, 9 and 13. As for marketing other crop, namely, grain such as *juar*, wheat, lang, *dal*, *bajri*, etc., the farmer takes it to the nearest town like Amod, Jambusar, Vagra, Ankleshwar, Hansot, etc., and sells there, or in some cases some rich cultivator of the village buys from him and then he sells in any of the above towns.

17. The value of the land depends mainly on the yield of the crop and to some extent to its being situated in a village near the marketing town.

18. The cash certificates are taken up in the big towns like Broach, Amod, Jambusar and Ankleshwar, but they are not prevalent in villages. Even in towns they are not so prevalent as would affect the course of finance, and even if there were a chance of making them more popular the increase would not be so material.

19. There are the Imperial Bank of India, co-operative banks and some *shreffs*, but there are no means or institutions by which the saving and investing habits of the public can be encouraged. There are no spare means in sight in the hands either of the cultivator or the public which would allow for a scope of investment. The savings banks are availed of by people deriving fixed monthly income by way of salaries but would not suit, nor would be found profitable, to the mercantile people. There is no market to buy or sell Government securities here, but the Imperial Bank does that on a small commission. There is no necessity for special arrangement to purchase Government securities as there are no funds lying idle for want of them.

20. As regards the money which comes in the hands of various groups of people, the farmer, I think, would spend the same in building and marriages and, if possible, in purchase of lands. The middle class would be inclined to turn it remunerative by placing it as deposit with some banks or private individuals.

21. The cheques have become certainly more prevalent owing to the abolition of stamp, but if Gujarati script were introduced, the dealings with the banks would still increase. The banking and investment growth in districts is slow because of the innate orthodox habits and the English scripts in banking and the strict formality of working.

Oral Evidence.

8191. *The Chairman*: Khan Bahadur Vakharia, you are a merchant and a gin-owner?—Yes.

8192. Are you a landholder as well?—Not to a large extent. I own hardly about a hundred acres.

8193. Do you cultivate any land yourself?—No.

8194. Do you do any banking business financing merchants or cultivators?—We advance money to merchants who bring *kapas* to our gins. We also advance to cultivators who have connection with our gins.

8195. You must have heard about the Cotton Markets Act, under which regulated markets can be started under certain conditions in certain places. What do you think about the advisability of starting such a market here?—At present there is keen competition amongst the buyers, and the agriculturists get the highest price, and they can sell their produce on the spot.

8196. I see from your statement that practically all farmers sell their cotton in the village itself. Do the big cultivators not bring the *kapas* to Broach and other markets?—Mostly the *kapas* is sold in villages. In Jambusar some cultivators bring it to the market. Some of the big cultivators bring their *kapas*, and keep it in our gins, and borrow money on that, if they want to wait in anticipation of better prices later on. They sell if the price goes up, and some of them get it ginned and export it to Bombay.

Khan Bahadur Pirojshak R. Vakharia.

8197. Do you give such advances to any person who brings *kapas* to your gins?—We advance up to 80 per cent. of the value to strangers, and 90 per cent. to well-known customers.

8198. You said just now that when cotton is sold in the village, there is competition. How does that competition arise?—There are brokers and merchants in the village, and there is competition amongst them. We have our brokers there, and we send them orders every day giving them limits of prices.

8199. Is much *kapas* brought by village petty traders to Broach?—In Broach most of the *kapas* is sold in villages. Very few cultivators in Broach bring it here, gin it and sell it here.

8200. Whom do they sell to?—They sell *kapas* to gin-owners or to *kapas* merchants such as Chhaganlal Pitamberdas, P. R. Vakharia, Jamnadas Narsy, Diushaw Furdoonji and others, and the ginned cotton is sold to Messrs. Volkart Bros., Ralli Bros., Toyo Menka Kaisha, Japan Cotton Trading, Ghosho Kabushiki Kaisha and others.

8201. Have Messrs. Volkart and Ralli Brothers gins here?—They have no ginning factories here, but they have their offices for purchase of cotton; also Japan Cotton Trading, Toyo Menka Kaisha, Ghosho Kabushiki Kaisha, Patel Bros., Madhavdas Amersy have their offices here.

8202. You have stated in your written statement that they have given up buying here?—They are not buying to the extent they used to. They buy much less. They have their agents here.

8203. When a cultivator brings cotton to Broach, where does he take it to?—He will bring to Broach. They all meet at a certain place in Broach, and our agents and merchants themselves go and offer prices.

8204. Is there any means for the outsider to know what the prices are, when the prices fluctuate?—Yes, they can easily find out in the market. When the *kapas* is brought to the market, the agents bid and offer higher prices.

8205. Is there auction?—It is not an auction, but higher bidding.

8206. How many gin-owners are there?—There are four gin-owners in Broach, seven or eight in Palej and eight or nine in Jambusar.

8207. Have these gin-owners formed an association for pooling?—About fifteen or twenty years ago there was an association, but for the last so many years there has been no pool.

8208. What is the price charged for ginning?—Six to six and a half rupees.

8209. For pressing?—From four to five and a half rupees.

8210. In case the *kapas* is purchased in the village, is the payment made at once?—Yes, it is paid there immediately. We have also to send cash to our agents there.

8211. When it is brought to Broach, is the payment made immediately or after some days?—Immediately.

8212. You say in your statement: "The whole of *kapas* is financed by the factory owners." Is it during cultivation or when the *kapas* is ready?—After the *kapas* is ready.

8213. You say that the Imperial Bank issues long dated *hundis*. For how many days?—45 or 60 or 90 days.

8214. That must be a great facility to the cotton industry here ?—Yes.

8215. Do any of the local *shroffs* issue here long dated *hundis* ?—In my opinion none. If there is any, it would be for small amounts, say five hundred rupees. Mostly they do business on *khatas*.

8216. The branch of the Imperial Bank was opened here many years ago. Were you here before that ?—Though I was not here at that time, *shroffs* say that since the opening of the branch of the Imperial Bank, their business has very much diminished.

8217. Why has their business gone down ? Do you not think that it is due to the competition of the Imperial Bank ?—The Imperial Bank is giving at cheaper rate.

8218. Is a cheap rate not good for the trade and for the general public ?—Of course, it is good.

8219. Does the Imperial Bank advance on the security of goods to all persons ?—Yes ; they are quite prepared to give advances even on grains, if they are allowed to keep the godown in their possession, and if they are allowed to keep their board on the godown. In my opinion, they advance even on gold ornaments even Rs. 200, but not below Rs. 200.

8220. You said you finance a certain number of agriculturists who bring their cotton to gins ?—We advance money to some of them in expectation that they may bring the *kapas* to us.

8221. Do you make that a condition ?—No.

8222. Do you buy standing crop ?—No. Some of the agriculturists who cannot get advances from gins have to sell their *kapas* at cheaper rates, and they get small advances. That is the *jarap* system.

8223. Is that system still prevailing ?—Very little, hardly half a per cent.

8224. You say in your statement : "The rate of interest charged by the factory owner is generally 6 per cent, and in no case higher than 9 per cent." Does the rate depend on the credit of the party ?—It depends on the tightness of the market. 9 per cent. is charged only in seasons.

8225. Do you charge only one uniform rate ?—Yes.

8226. The branch of the Imperial Bank is useful to people who are living in Broach. What about people who live in *talukas*, say at Amod or Jambusar or Vagra ?—They come here and get the money.

8227. If they want money on the security of produce ?—They come here and arrange with the Bank and do the needful, and the Bank send their man there. The Imperial Bank put their board there, but many people do not like it. I think in Jambusar some merchants had taken money from the Imperial Bank.

8228. At certain times all these gins must be getting a large quantity of cotton, and they advance money, and as they cannot realise the money immediately from the buyer in Bombay, they must be requiring money during the interval ?—Here the system is that they sell ahead. The cotton will be ginned after a few days.

8229. Do the Bombay buyers pay before they receive the goods ?—They pay when they receive the goods.

8230. Till that time the gin-owners must find the money ?—Of course.

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8231. Would it not be better if there is some facility of advancing money on the security of the produce lying in the gins?—We get it if we want. The Imperial Bank keeps a man in the gin compound.

8232. Do people in Jambusar not like to take advantage of this system?—Except a few, generally they do not take, because they object to the Imperial Bank putting the board.

8233. Is it difficult to arrange with the Bank?—There is no difficulty; they have to come here and get the money from the Bank.

8234. When you sell cotton to Bombay, do you receive much of the money by drafts?—We draw *hundis* on Bombay merchants.

8235. You say in your statement: "Co-operative sale society or market systems would not be of the advantage to the farmers, for at present they get best prices owing to competition among the factory owners." One witness, who gave evidence before us, said that the present system causes the farmers great inconvenience, because they do not get the price which is fixed for them in villages, that there are always some *vandhas* raised and that the cultivator does not receive the price as fixed in the *kabala*?—In Ankleshwar they have *kabala* system, but it is not so in Broach.

8236. Are there no *vandhas* raised after the cotton is brought by the farmers?—If the quality is inferior, the *vandha* arises; but if we give them unnecessary trouble, they would not come to us again.

8237. Taking the case of Broach, supposing there are about a hundred transactions, how many *vandhas* will there be raised?—In my opinion, it is a hard job, if we make *vandhas* with them. I have one ginning factory of 98 gins and another of 38 gins, and hardly about eight or nine *vandhas* arise in a year. Sometimes they put in the middle inferior cotton, but that happens only in a few cases.

8238. Is there *karda*?—There is, but that is in Bombay also. If we tender cotton, and if the bales are not according to sample, they make allowances, which means *karda*.

8239. If there is a dispute, is there any agency to settle it?—The merchants themselves do that.

8240. Is there no arbitration?—There is a kind of *patawat* amongst them here, by selecting both side arbitrators from among themselves.

8241. One witness stated that *kabala* is signed by the *dalal* and it binds the agriculturist to sell at a certain price, but does not bind the other party, namely, the buyer?—I do not think so.

8242. About cash payment, one witness stated that very often the farmers do not get cash payment in the busy season, and they have to go to gin-owners. Have you heard any complaints about this in any part of your district?—Here we pay in one or two hours after the cart is unloaded.

8243. Are there facilities for finance for gin-owners in Ankleshwar?—They all are inhabitants of Broach and those people who are not residents of Broach have to come to Broach and take from the Imperial Bank. We send our money from here to other places, and we send in notes; we used to send even bags of cash before.

8244. Is your season only for three months?—The working days are only 70 to 75, but generally three months. This year it will commence in the middle of January and will last till the middle of April. When there is much rain it begins late and it ends late.

8245. For how many days do the gins run?—About 70 or 75 working days.

8246. You say in your statement: “The ginning and pressing factories are handicapped by many Government regulations.” What are the regulations?—We are governed by the Factories Act, and we cannot work for more than ten hours, and therefore, we suffer loss when there is a big crop and the season is late. There are other restrictions too. They have introduced the system of putting running numbers on bales, and we have to look after the markers, because these markers are not very careful in putting the correct numbers.

8247. Is not the system good for good and honest gin-owners?—We do it, but it is rather very troublesome to us.

8248. The question of finance of cotton has to be considered from three points of view. The first is financing the agriculturist at the cultivation time, and later when the cotton is ready. Secondly, financing the middleman, if there is any *dalal* or the merchant, and thirdly, financing for the buyers here. There may be gin-owners and merchants. As regards financing the cultivators, you say that the whole system of finance is unsatisfactory. Do you include all these three?—No. Only the first.

8249. In the case of the cultivator, sometimes for cultivation period he has to borrow from the *soucar* at a higher rate of interest; is he not obliged to sell his cotton through the money-lender in that case?—I do not think they have to sell cotton; nowadays on account of the Dekkhan Agriculturists' Relief Act, the *soucars* and other money-lenders have stopped advancing money to agriculturists. What the *soucar* now does is that he takes a sale deed in place of a mortgage deed and charges a high rate of interest.

8250. Does the village money-lender also ask for the crop to be sold through him?—I do not think so; there may be exceptions.

8251. Does the middleman or the *dalal* get finance from gin-owners, if necessary?—From gin-owners or big merchants.

8252. Do the gin-owners and big merchants get finance from the Imperial Bank?—Yes, on the security of their cotton; but if they are not gin-owners, and if they bring cotton to our factories, they take mostly from us.

8253. Do the gin-owners or merchants not get credit from the Imperial Bank without having to mortgage their cotton?—Those who have good credit get advances on personal credit by giving sureties.

8254. Do the gin-owners find difficulty in getting this credit?—I do not think so. Many get money on credit, and I know many instances. Even in Jambusar some gin-owners have received money from the Imperial Bank this way.

8255. As regards the agriculturists, many of them are heavily in debt. From your experience, have you any suggestions to make as to how they may be relieved from these debts?—In my opinions they themselves ought to be improved. When they get money, they build houses and they spend large sums of money in marriages, and when there is a small crop, they have to borrow money at high rates. One of my merchants is a cultivator. He built a big house at Amod for Rs. 40,000, though already he had a good house to live in.

8256. Had he any previous debt?—No; but now he is in debt.

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8257. Do you know anything about the land mortgage banks for relieving them from their past debts?—There ought to be something of a land mortgage bank. If they get long-term loans, it would be better.

8258. Do you think that long-term capital for a bank like this can be raised in Broach?—I do not think so, because many of the people use their capital for their own trade.

8259. *Mr. Kamat*: Cotton of this district worth about three to five crores is dealt with mostly in villages, and very few people go to Jambusar and Broach Markets. What would be the proportion in your opinion of cotton brought to the market places?—When we say three to five crores, it includes Miagaum and other Baroda State villages (which are included in Broach cotton area); it is not only for the Broach district.

8260. In Broach alone the cotton would be worth about two crores of rupees?—About ten to eleven millions.

8261. Out of this, how much cotton is brought to Jambusar and Broach markets?—I think, about twenty per cent.

8262. So, nearly eighty per cent. of the cotton is sold in villages without any regulated markets. Generally speaking, are you satisfied with these marketing conditions in villages, or are you against marketing of cotton as contemplated by the Cotton Markets Act?—We have no objection.

8263. Would you agree that it would be a convenience both for buyers and for sellers?—It may be for buyers, but I do not think it would benefit the sellers, because at present they sell their cotton at their own places, and they get better prices.

8264. If they bring the cotton to regular markets, will they not get better prices if there are many buyers?—I do not think that they would get better prices; perhaps they might get the same rates. At present they are not getting small rates, and sometimes they are getting higher rates than the market rates.

8265. You told us that there are only four or five big gin-owners. Although the cotton sold here is so large in quantity, how is it that the ginning business has gone into the hands of only four or five people?—Some years ago there were two or three only.

8266. Do you mean that the trade has increased?—Yes.

8267. Do you think four or five gin-owners is a sufficient number for Broach?—Yes.

8268. Is it a fact that some people came to start ginning factories here and had to go away?—Yes, because they wanted to compete and, therefore, paid very exorbitant prices, and there was lack of management.

8269. In the case of this *kabala* system, which may not be prevalent in Broach but is prevalent in other districts and under which documents of contracts are signed by one party only, do you think it is a good system to have one-sided contract signed?—I do not know why the other party does not insist upon buyers signing the *kabala*.

8270. *The Chairman*: Is this system prevailing only in Ankleshwar?—I think it is in Ankleshwar.

8271. *Mr. Kamat*: Do you not think it is unfair?—If it is so, it is unfair; but I have no knowledge of that south of Narmada, whether buyers sign or not.

8272. You told us that Messrs. Ralli Brothers have their agents here, but the quantity they buy is rather small. Why have they given up Broach?—They have not given up Broach, but they buy here only 20 or 25 per cent. of their requirements.

8273. I mean, why are they buying small quantities?—Here Ralli Brothers and Volkart Brothers had a big staff and they had more working expenses, whereas other buyers had less expense, and they were buying and competing, and on account of less expense they used to sell cheap in Bombay. So now we send to Bombay, and they buy in Bombay.

8274. *The Chairman* : Has the deterioration of cotton in Broach any connection with Ralli Brothers and Volkart Brothers not buying as much as they used to do before?—Certainly not. In previous years there was *deshi kapas*, which means better staple but the lint, that is, the percentage of ginned cotton, is less and the percentage of seeds more. While in *goghari* the percentage of cotton more and seeds less.

8275. *Mr. Kamat* : What is bought here is cotton ginned by them with longer staple and less lint percentage?—No. They do not gin any *kapas*, but they buy ginned cotton from local merchants and take average quality. When there is more percentage of cotton, merchants would like to pay a higher rate because the *padtal* will be cheaper. So they commence from Itola and Miagaum to sow *goghari* seed. This was introduced here also to a small extent. After some time they introduced *yundi goghari* which is far better than *goghari* seed in lint, but this is the concern of *kapas* merchants only.

8276. Do you think that this *goghari* is always a little short of staple?—Yes, but the merchants here prefer to make *padtal* and so induce cultivators to sow *goghari* seed.

8277. In other districts the system of ginning is slightly different from what obtains here, *i.e.*, they do only ginning business and charge 5 or 6 rupees for ginning cotton. They are not financiers. They do not do business in ginning as well as in buying cotton. But here the system varies, *i.e.*, the gin-owners are also financiers and also gin cotton?—We are pleased to get such type of people who will come to our place and bring their cotton to gin. We are so unfortunate that we have very few merchants like that. Therefore we are obliged to buy on our own account. It is not beneficial to the ginning factory owners. We have to run risk. We have to buy *kapas* from districts or villages, we have to gin it and sell it, and if we cannot sell it we are obliged to send it to Bombay. Here why we advance money is because we want to induce them to bring *kapas* from villages and from the districts to our factories.

8278. Does not 80 per cent. of the cotton in the district pass through the hands of a few gin-owners?—No. There are also many merchants in Jambusar who buy cotton and also in Amod, apart from the gin-owners. We do advance cultivators to encourage them to bring cotton to our factory.

8279. I ask you, is this a sound system from the point of view of the cultivator? It might be good for the factory owners, but a large number of cultivators have to be in the hands of a few gin-owners?—There are 45 gins and not only half a dozen or a dozen gins as you think. Those who have given you this information that cotton is passing through a very few gin-owners are absolutely wrong and it is a deliberate lie.

8280. About the Imperial Bank do you think that it is doing good work in financing?—Yes.

8281. Is there no complaint from merchants?—No.

8282. Would people prefer to deal with the *shroffs* in addition to the banks or the branches of the Imperial Bank?—They would prefer them if it is convenient for them to deal.

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8283. Between the *shroffs* and the branches of the Imperial Bank what would be the preference on the part of merchants?—If there are big *shroffs*, they would also be preferable, but they must have a big amount behind them.

8284. So on the whole would you be in favour of opening more branches of the Imperial Bank in places like Jambusar and Amod?—They will be only seasonal otherwise during the off season they will not do any business even to the extent of Rs. 500 to Rs. 1,000.

8285. *Professor Kale*: Can they open branches for the season and withdraw them?—Yes.

8286. You said that currency notes are being sent to villages instead of rupees. Is this practice growing now?—Yes, the cultivators do accept them.

8287. Do they find no difficulty in encashing these notes in villages?—No. They exchange amongst themselves. They do not accept big notes. We generally give them ten-rupee and five-rupee notes. If there is a thousand-rupee note, we have to get it into smaller denominations.

8288. You said that you advanced money to cultivators. Have you ever experienced any difficulty in recovering the same?—Many a time I have experienced difficulties. I used to advance bigger amounts in my father's time, but now I am not advancing such big amounts. We only advance them to keep accounts with them.

8289. Do you feel now any difficulty in recovering your amounts from year to year?—With those few picked up cultivators to whom we lend we do not find much difficulty in recovering our amounts, but we have to remain on their mercy and we cannot go to courts. I can give you an instance. I lent to a big cultivator a large sum. He did not return it to me. I settled my debt with him at 60 per cent., and asking him to sell his property to me, I promised that I would return back his property as soon as he gave me the 60 per cent. which was in full settlement.

8290. *Mr. Kamut*: Did you get that 60 per cent. in one lump sum rather than by instalments?—No, he has not paid me yet.

8291. *Professor Kale*: You said that you purchase cotton in villages through your brokers?—Yes.

8292. You also said that a cultivator gets exactly the amount of the value of the cotton that he sells?—Yes.

8293. But is it not possible that the broker may be committing some mischief there? He may be taking something for himself. Can you supervise each and every purchase in the village?—He may be doing mischief, but if he wants to keep something for him he will miss his brokerage. On the contrary, brokers amongst themselves create competition and while doing so they sacrifice something from their pockets.

8294. With regard to *shroffs* you say that there is a prejudice against them and that they do not go to the Imperial Bank?—No, I do not say that.

8295. You say that they have lost their business?—Yes.

8296. But is it merely a prejudice and can anything be done to overcome this prejudice?—In Bombay we can raise money on our goods.

8297. But why should not the same thing be done here?—It is the old system. I will explain to you one example. Some five or seven years before there were very few insolvents here and now it has gone eight or ten times that number because at that time

they felt that to become insolvent was a bad thing. Now for anything they go to courts and become insolvent. It is so easy now to become insolvent.

8298. *The Chairman* : I have the figures with me. In 1924 the insolvents here were 18 ; in 1925 there were 22 ; in 1926 there were 17 ; in 1927 there were 38 and in this year there are 26. Many of them are pending. There is one big feature worth noticing, viz., that although there were 38 applications in 1927 many of them were rejected ?— I can explain to you this question. One Mahomedan owed me a sum of Rs. 500 and he went for insolvency. Another creditor came and told me that I should accept Rs. 100 and withdraw. I did so, otherwise if the man went to insolvency court, he would lose everything.

8299. In several cases the applications are made by the creditors and not by the debtor ?—Yes.

8300. In cases where there is a large number of creditors it is easier for the debtor to become insolvent ?—Yes.

8301. From the figures I quoted it would seem that it is not as easy now to become an insolvent as it was 4 or 5 years ago ?—It is very easy now to become an insolvent.

8302. I say that many applications have been dismissed ?—Might be.

8303. Now they are stricter ?—Yes.

8304. If the Act is worked like this, it should be better for the credit of the merchants ?—Yes.

8305. *Mr. V. L. Mehta* : At present there are some gin-owners or merchants who require money at Amod or Jambusar or at other centres and the Imperial Bank undertakes to finance them. Will they keep a loan clerk there or will they send somebody from Broach to take charge of the goods. What is the practice here ?—The former.

8306. So it is not like other places where the clerk would go from Broach to Jambusar or Amod, but he is stationed there ?—Yes.

8307. In some places we are given to understand that he is sent to the branch headquarters or to up-country places ?—The superior authority goes to see whether the cotton gathered is there.

8308. Then about the Imperial Bank you said that it would be a good idea to start branches during the season. Instead of opening branches with all their paraphernalia, if they appoint some local *shroffs*, will not the purpose be served ?—There are no *shroffs* in Amod and in Palej. In Jambusar there are very small *shroffs*, but then it is possible to do so provided the *shroffs* have some credit. At least the Bank must take 20 or 25 thousand rupees. In Jambusar the requirements may be one lakh or one and a half lakhs of rupees as two or three big factory owners work with their own money.

8309. But if a good party can be found and if he can undertake to do this work, do you not think that it would be convenient to all the merchants in general ?—Yes.

8310. You said that you have to send money in currency notes with your clerks by railway or by motor cars to various centres ?—Yes.

8311. Have you not made any arrangements with the treasury by which you pay the money into the treasury here and the treasury gives you a draft which you send to your man to cash it there ?—I do not think that it has so much funds there.

8312. We have been given to understand that the firm in Bombay like Ralli Brothers have made special arrangements through the Deputy Controller of Currency in Bombay

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and their drafts are cashed in different treasury centres in the districts. Have you not tried this method?—No.

8313. Do you think that if this facility is available it would be a convenience to you?—It will be a convenience. It is not inconvenient now for us to send money from these places and we have our own office here. Seth Lalji Ramji & Co. have their factories in Jambusar and they send a man here and give a *hundi*.

8314. Suppose this *hundi* is given to the treasury, would it not be advantageous to you?—If the treasury gives the full amount of the *hundi*, it will really be convenient for us.

8315. You say that there is no need for general warehouses because the gin-owners have accommodated their goods?—We do accommodate their goods, but our season commences in February and ends in May and if they want to keep their goods in monsoon they can do so after ginning and pressing processes are over. In season also they can bring *kapas* to any factory and keep it there. Almost all the factory owners advance money.

8316. Is the cotton stored in a factory on condition that the same factory should gin it?—Yes.

8317. Is it the practice here to keep unginced cotton in stock?—No.

8318. And the sales are all of ginned cotton?—Yes. Those who do not want to sell their *kapas* and who want to keep it for a month or two bring it to gins and keep it in the compound. We advance 50 to 90 per cent. of its value. If he does not want more money, less money is given to him. Some people bring and keep the *kapas* in the compound and they do not take any money.

8319. *The Chairman*: Do you do any seed distribution business? Do you distribute cotton seed amongst the cultivators?—Yes. We are distributing seed to those who are bringing cotton to our compound and we are selling it through our brokers.

(The witness withdrew.)

**Mr. CHHOTALAL GHELABHAI GANDHI, of the Ankleshwar
Taluka Khedut Mandal, Ankleshwar.**

(*Summary of Replies to the Questionnaire in Gujarati.*)

1. (a) The agriculturist gets loan facilities in the shape of *taccari* for purchase of seeds and bullocks if he is a landlord to some extent.

(b) An agriculturist gets loan to some extent from the co-operative society if it be in his village but mostly from *sowcars* on interest. A farmer has to take a loan to pay off the debt and other expenses of his servant. The farmer lends this money to his servant.

2. A farmer is able to spend very little for permanent improvement of his land or cultivation.

3. They borrow money in a way most injurious to them to pay land revenue when the monsoon fails.

4. The reasons for and sources of borrowing money are as under :—

(1) To purchase bullocks, seed, clothes, spices for themselves and servants against payment at the time when the seasonal crop is ready. He pays interest from

20 to 50 per cent. by way of giving more rates to the Pathan, Sindhi shopkeeper or non-agriculturist.

(2) A big landlord has to pay from 12 to 18 per cent. on personal security.

(3) About 9 to 15 per cent. is to be given on the security of ornaments, etc.

(4) The immoveable property is mortgaged by a sale deed and a farmer has to incur double expenditure for reconveyance. The interest is entered as rent of the property; and the farmer has to bear more burden due to the expenses of interest and reconveyance.

(5) At times the farmers get money from the commencement of the monsoon or at the time of the beginning of the ripening of the crop for which they have either to pay exorbitant rate of interest or one and a half times the crop.

(6) Due to the system of money-dealings between the farmers and their servants a farmer has either to suffer heavily or pay very high interest.

(7) Wherever there are co-operative societies no *taccavi* is given. If there is shortage of provision no *taccavi* is given. With great difficulty, very little amount of *taccavi* is obtained for the purchase of bullocks.

(8) Village societies lend money at $9\frac{3}{4}$ to $10\frac{1}{6}$ per cent., while these societies get it at 7 per cent. from the district bank. A *sowcar* deposits in the district bank at $4\frac{1}{2}$ per cent., but the same *sowcar* does not lend money to a farmer on lesser rate of interest.

5. The defects of the present system and its reasons together with remedies are as follows:—

(1) It is very difficult and wasting of time in getting money from the co-operative societies and then too it is not to be had in time, because the loan application of a farmer has to go through the secretary of the society, supervising union, its inspector, district bank committee, its chairman, inspector and organisers and even then the report is returned if there is any mistake. Such intricate system is injurious to a farmer. Moreover, in this process the secrecy of the loan is not kept up and the farmer loses his credit. Under these circumstances a farmer gets a loan from a *sowcar*. Moreover, the district bank spends liberally in paying to servants and allowances, etc., to the members. It advances at 7 per cent. to the society, but enforces the society to pay contribution to the Supervising Union and the Institute and, therefore, the members of the society also have to bear proportionate higher rate of interest and there remains a very small reserve fund.

REMEDY.—The banks should be opened at the *taluka* towns which must give loans in time and by easy methods followed by *sowcars*. In such banks the committee should be formed of the representatives of shareholders and village societies. The rules should be so framed that only such persons be elected who can understand their responsibility. The member of the *taluka* does not require any allowance to go to the *taluka* town. There will be no necessity of the supervising union. Cosmos co-operative society can thus manage their affairs in the best way like that of Poona and can give loans to farmers on a very low rate of interest.

(2) Ignorance of keeping accounts and in agricultural improvements comes in the way of the prosperity of a farmer.

REMEDY.—(1) Books on the improvement of agriculture, banking system and accounts should be published in vernacular. (2) To educate adult farmers and specially the

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member of the society through the teachers of schools by paying extra remuneration to the teachers. It should also be advertised that such farmers who can keep accounts will be given facilities in interest, etc. (3) To introduce vernacular schools in districts to educate in local language in the course of B.Com. or G.D.A. (4) Some lessons should be introduced in upper classes for primary knowledge.

(3) Many respectable farmers are prevented from taking advantage of the village societies owing to their much indebtedness and joint responsibilities. Some good people deposit their money in these societies which they are unable to get back and thus innocent persons have to suffer for the fault of others.

REMEDY.—The societies should be formed on joint stock system instead of joint responsibility system. The present societies which are heavily indebted due to several natural calamities such as floods, frost, etc., should be relieved by arranging for payment by instalments and should also be freed from heavy interest charged as penalty.

(4) The agriculturists are becoming spendthrifts; they become idle for want of work. The crop is destroyed by floods, frost or locusts. They incur heavy losses in agriculture and lose their land on account of the present revenue system, pay more assessment and become tenants-at-will. Under these circumstances they cannot improve their lands and it is quite impossible to carry on permanent improvements.

REMEDY.—The farmers should be taught to be less expensive by experienced men. They should be stopped from idling by introducing home industries. Law should be promulgated that an agricultural land should not be allowed to be sold to those who do not themselves cultivate land. The Land Revenue Code should be amended in the interest of the farmers. Canals should be dug out from big rivers through co-operative societies with the Government help.

(5) Habits of drinking make a farmer poor.

REMEDY.—The liquor shops and toddy booths should be prevented; and there should be a bye-law in the society that a member with the habit of drinking, if he did not leave off drinking within a prescribed period, will be disallowed to continue as a member of the society.

(6) The poverty and indebtedness amongst agricultural labour increases due to drinking habits. The servant's debt is to be paid in advance by the master which is never returned and the relations of the employer and the employed are strained.

To remedy this labour associations of such labourers who would not drink should be formed. The farmers should be relieved of debt. The minimum wages of labourers should be fixed. The labourer should work for full one year and he should be furnished with his account.

(7) Justice is very dear and *soucars* therefore do not give loans.

REMEDY.—The rate of stamp, court-fee, pleaders' fees should be reduced. Arbitration system and the system followed in Denmark and Switzerland should be introduced. Village *panchayats* should be empowered to hear suits up to Rs. 100. If such laws are enacted, the credit of an agriculturist will improve. If land money on lower rate of interest and the farmers will be profited if justice is dispensed.

Ankleshwar might require 5 lakhs to 7½ lakhs of capital.

The Imperial Bank enforces interest on money lent on gold and ornaments, etc., every month which is not suitable to farmers. They can pay every year when the crop is ready.

The chief products of Ankleshwar are cotton, *juar*, wheat and *lang*. The farmers do not experience any difficulties in selling their produce of *lang*, wheat, *juar* as there are many grain merchants in towns. But they suffer heavy losses due to the speculative tendency of merchants and other reasons such as overstocking, etc. The farmers having no other place to warehouse their stock in a city, have to sell their articles at any price. Cotton sale societies are therefore necessary. But, such societies being detrimental to the gin-owners, they use their influence against them. Hansot cotton sale society under the guidance of Mr. J. R. Joshi, B.A., works well as it is away from gin station. In spite of this they have to suffer certain difficulties, which he has described in his evidence; the proprietors of gins had tried in the following way to split up the societies of Diva and Kosamdi which were situate near the gin factories :

- (1) Offering higher rates in the beginning to the members of the society.
- (2) Ginning the societies' cotton late if the honest members would bring the best cotton for the societies.
- (3) Would keep higher rates for ginning and pressing.
- (4) Troubling the members after the societies' work be over.
- (5) Would supply *Goghari* seed for sowing at certain places and purchase at higher rate to mix it with good cotton.
- (6) Frightening the members by creating misunderstanding about the quality and output.

On account of the above-mentioned reasons two societies have ceased to exist.

There should be legislation that the transaction should be made after seeing the cotton; if not, the farmer should be paid the same rate as agreed upon.

There should be societies to purchase the agricultural products from the farmers when the merchants do not purchase the same through the licensed workers according to the rate fixed by the joint union of merchants and farmers. The place for marketing grain should be the *taluka* town.

The weight given by this society should be accepted.

The license should be issued by this association with a license fee.

The association should be maintained from the proceeds of the license fee, weighing fee and Government aid.

State help should be given to the cotton sale societies.

Eighty per cent. of the price should be given to the farmer through banks on condition that the cotton should be insured.

The exchange should be fixed at 1s. 4d. as otherwise agriculturists have to suffer.

The rate of Island land is Rs. 400 per acre.

Land without sand in the Island fetches Rs. 300 per acre.

Black soil fetches Rs. 250 per acre.

Land in salt water villages fetches Rs. 150 per acre.

White soil with murum fetches Rs. 125 per acre.

The farmers are displeased on account of their land being auctioned for non-payment of assessment and the land does not fetch better prices on account of party spirit and fetches only half to three-fourths of the price.

Mr. Chotalal Ghelabhai Gandhi.

If the creditor himself purchases it fetches somewhat good price; but if the sale is private it fetches a better price than that obtained by the above-mentioned new methods.

The farmers have lost faith in the land mortgage bank as they have purchased shares long since and paid proportionate expenses with no result.

The farmers should be allowed to have the grain of the season in which the amount is borrowed thus enabling them to store food for themselves in the next year.

Oral arrangement of sales should be accepted.

Only a portion of the land should be sold if the instalment of the bank is not paid.

The Imperial Bank should advance to the mortgage bank at a lower rate of interest so long as Government does not amalgamate the treasury with the *taluka* banks.

According to the statistics available, Ankleshwar *taluka* has a debt of Rs. 71,00,000.

The Dekkhan Agriculturists' Relief Act should not be repealed, but certain modifications advantageous both to the farmers and creditors should be inserted. The village *panchayat* should be empowered to dispose of suits up to Rs. 100; and as the time goes on the power should be enhanced according to the ability of the *panchayat* which will reduce the cost of the court expenses.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am a representative of the Ankleshwar Taluka Khedut Mandal. The Association has been in existence for the last 12 years. There is a secretary in every village, and there is one general secretary for a group of eight or ten villages, and there is an executive committee of the secretaries of eight or ten groups.

We have been trying to teach the economic habits to the people, and the effect is that they have been wasting less money in drinking and marriage expenses.

I am not in favour of giving more financial facilities to agriculturists as they would be more and more indebted by borrowing large sums. Sometimes societies are mis-managed, and therefore, members do not get sufficient amount of finance required. Generally the members of societies are very poor as rich men do not join societies on account of unlimited liability of societies. I think the societies should have limited liability so that good members can join.

There are not many pathans in my *taluka*, and the pathans do not generally go to courts.

Finance is required for land improvement, and people should be educated to carry out land improvement such as well irrigation. Poor agriculturists would carry out small land improvement, but they cannot do anything without money. People are also ignorant and illiterate, and propaganda work is necessary in their cases.

(The witness withdrew.)

Mr. PADAMJI K. ILLAVA of Ilav.

Replies to the Questionnaire.

The agriculturists draw money from various sources to meet their expenses—current or for permanent improvements or special needs.

They first turn to their *sowcars*, who may be near them as their next door neighbours or at some distance in *taluka* town. They find that their *sowcar* is a never-failing stream and more accommodating and advances loan on the security of lands, ornaments, standing crops, livestock and even on agricultural produce. The *sowcar* is known to him, and in a majority of cases, his dealings with the *sowcar's* family are carried on from father to son. The interest charged by the *sowcar* is anything between 9 per cent. to 15 per cent. In many cases the *sowcar* provides his daily needs, his clothing, etc. Some of these *sowcars* have lands in villages; in that case they are absentee landlords, who visit villages during the season time to recover their land dues, interest and other outstandings. These indigenous money-lenders play a very important part in the life of the agriculturist, even where he has a co-operative credit society in his midst. These societies provide credit facilities to a fixed maximum and that too at certain times of the year, and not without unnecessarily long delay owing to certain formalities that have to be gone through. These delays and formalities drive the unlettered, ignorant and needy tillers of the soil into the hands of more accommodating and prompt *sowcar* in spite of his alleged harshness and greed.

The Co-operative Movement is a plant of recent and very slow growth and has not become popular for various reasons. To obtain loan from a co-operative credit society, a member must make an application, state the amount, not above the fixed maximum, the purposes for which it is required and find sureties. After all these formalities have been complied with, the loan is not forthcoming. The district bank takes its time and a long time before it pays out. Very often he has to go to the district bank; this means expenses, which he is unable to meet without having recourse to borrowing. Majority of them have no cash in hand and they need ready cash for their various needs from the beginning of working season up to the time the crops are ready. To make these societies more popular and more serviceable these cumbrous processes may be eliminated. Another reason why the Co-operative Movement has not progressed is that the educated and well-to-do classes in the villages have kept aloof from the Movement. At present the members are mostly illiterate, lacking in business capacity and without the proper knowledge of co-operative principles. Even the members of the committee are untrained and unsuitable to perform responsible duties of their office. These societies are mere loan givers. The message of Co-operation is both educational and moral. Its aim must not be short of wholesale rural reconstruction. The educative propaganda must permeate the farthest nooks and corners. That cannot be achieved unless selfless men of education and substance are mobilised in its service.

Another reason is the rate of interest charged, which with extra charges incurred by the applicant comes to 10 to 12 per cent. That is not tempting enough for a cultivator to transfer his affection from his *sowcar* to the co-operative credit society. Besides there is that general inward, unvoiced feeling amongst them that the management of the society is not above board and that they do not get their dues. Co-operative finance has not even touched the fringe of the agriculturists' demand, and is not likely to make headway until the uplift of the countless villages in their material and moral side is not achieved.

Improvvidence, litigation and debt are the evils from which the cultivator suffers. This is mainly due to their ignorance. To remove it is the *sine qua non* of his deliverance. A scheme of general adult education is the first step towards this end. Of the three evils debt is the most crushing and it cripples him and all his activities, it is a calamity that clouds his very existence, and extinguishes all his spirit and enthusiasm for improving his lot. Any one who is interested in the co-operative finance as a solvent of agricultural indebtedness, must have noticed that it has failed to help the indebted peasantry and will not, so long as it functions as at present. To compass that aim and object, debt redemption must be the primary purpose of all co-operators, and one remedy above all others that is naturally thought of is a scheme of long-term loan at a very low rate of interest, as low as can be secured; cheap finance on easy system of instalments, spread over 20 to 30 years, is the desideratum.

Fortunately one such institution, the land mortgage bank has been started in this district, and has commenced its mission of mercy amongst the debt-ridden peasants, and let us hope it will in time achieve its purpose and bring peace and prosperity to him who sorely needs it, and bring in its wake higher standard of life, broad vision and outlook. The question of long-term and cheap credit has come to be regarded as the best and the easiest way of bringing salvation to the vast agricultural population. It requires no further emphasis from me.

A note of warning may be sounded. The same set of causes, which have marred the working of short-term agricultural finance, may clog the wheels of carriage of long-term finance. These should be avoided. Those legal formalities, unnecessary delays, avoidable expenses, etc., should be given a wide berth. The loan should be as expeditiously granted as is consistent with safety and security. Uncalled for and vexatious objections should not be raised. If this is kept in mind, I feel certain that in it we shall have an instrument of immense good. It will ameliorate the condition of the cultivators and consequently of the country at large.

These mortgage banks should have been started long ago. By now we should have seen the fruition of the scheme.

The Government plays an insignificant part in agricultural finance. The Taccavi Loans Act and Improvement Loans Act are not availed of. They are surrounded by red-tapism. Even the suspension and remission rules are so rigid in their application that the desired relief does not reach the cultivator in time.

The last but not the least class of neo-*sowcar*, the prototype of Pathans, has sprung up after the enforcement of the Dekkhan Agriculturists' Relief Act, which has so demoralised the cultivator that he always evades his obligations to the *sowcar*. A cultivator who was considered absolutely honest and truthful became a byword for dishonesty and untruthfulness. The *sowcar* shunned him and naturally stopped dealing with him, and if he at all continued his money-lending business, he imposed his own conditions which were far more oppressive than they were before. The cultivator has lost his credit with the old *sowcar*. So he had to seek fresh sources. Hence the birth of the neo-*sowcar*. He is as ruthless as Pathan in his *modus operandi*, and his rate of interest is from 25 per cent. to 50 per cent. and even more.

I believe if the mortgage banks are established in every district, these undesirable features of money-lending will be eliminated gradually, and the poor cultivators will come to their own.

Oral Evidence.

8320. *The Chairman* : Mr. Illava, you are a landholder ?—Yes, in Ankleshwar *taluka*. I have some lands in Surat district also.

8321. Do you do any other business ?—No.

8322. Do you cultivate your own land ?—No ; I lease it out.

8323. Do you finance your tenants ?—I have at times do. My father used to do it, but I have curtailed it since my father's death.

8324. Have you any idea as to how much cash is required by a cultivator for cultivating one acre of cotton land ?—A cultivator, who works on his own land with his family, would hardly require ten rupees per acre for cotton, and for other crops, he would require much less, because cotton requires periodical weedings and picking.

8325. Do the cultivators in your part of the district require money for cultivation, or do they spend from their own savings ?—They would require some money, a majority of them would. There are a few exceptions to the rule.

8326. Do the *sowcars* advance them money ?—Yes, the *sowcars* will give after the rains but not before. If the rains are not successful, they will not advance, as it was the case this year.

8327. What do the cultivators do in that case?—They somehow manage, say, by pawning what little ornaments they have. Some big agriculturists lend them. Now the *sowcars* have stopped their dealings to a large extent.

8328. Do the village money-lenders not finance ?—There are very few money-lenders in villages. The real *sowcars* are in *taluka* towns.

8329. Do they not finance the cultivators now ?—Now new *sowcars* have sprung up. They are of the Pathan type ; they are Mahomedans from Hansot. They are blood-suckers.

8330. Do the good *sowcars* still exist ?—They do, and they are not so harsh and greedy as they are made out to be.

8331. Are they made out to be so because they are mixed up with new *sowcars* ?—Yes, because some are in league. These Mahomedans were worthless, and they had hardly few coins with them, but they persuaded a few Hindu *sowcars* and tried to get some money out of them. If a landless cultivator wants money, the Mahomedan alone would give but not the good *sowcar*.

8332. Can a man who has land and credit borrow from the *sowcar* ?—He will go to the *sowcar* provided he has dealings with him.

8333. Although some cultivators have turned out dishonest, are not most of them honest ?—Unfortunately I find that the good class of cultivators is fast disappearing.

8334. What do the *shroffs* or the *sowcar* do ?—They know how to deal with them after the Dekkhan Agriculturists' Relief Act came in force. In the first place they take sale deeds in place of mortgage deeds, and secondly, the deed is executed for a larger amount than what is actually advanced. If they advance Rs. 200, they will write Rs. 300 in the deed.

8335. Would they recover only Rs. 200 ?—The good *sowcars* would do that, but not these Mohomedans, whose trade is usury.

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8336. If the Dekkhan Agriculturists' Relief Act were modified, do you think it would be possible to revive the old relations of the *sowcars* with the agriculturists?—Yes, I believe the old relations would be re-established.

8337. And they will be able to advance at easier rates of interest?—Yes.

8338. Do you think that if that were done, the old system would be the best?—Yes, the old *sowcars* charge from 9 to 15 per cent. and a majority of them charge 9 to 12 per cent. I have been the Chairman of the co-operative societies for the last seven years, and from my experience, I can say that the right type of *sowcar* is better than the co-operative society.

8339. What are the drawbacks of the co-operative system?—The system is not elastic.

8340. What about the interest charges?—I think the co-operative societies do not charge less than 9½ per cent. and in the majority of cases, they charge 12½ per cent.

8341. How does that happen?—Now there are group secretaries, but formerly, secretaries used to charge more. My father was a member of the co-operative society. When the old Chairman of the society died, I was appointed the Chairman. As a rule, the secretary is paid one per cent. of the profit. But then, when I took charge of the society, I found that over and above the fixed wages, he used to levy from each borrowing member Re. 1 for Rs. 100 advanced for himself and eight annas for every 100 rupees was charged for sepoys working under him. And at the time of paying interest on deposits, they used to pay in rupees, and keep the odd annas and pies for themselves. Taking all these charges into consideration, the interest works out to 12½ per cent. During the last five years, I have enquired into the matter, and the practice has now been stopped.

8342. You say that the Co-operative Movement would improve if educated and well-to-do members would join. Do not public spirited men join now?—People must be educated and organised, then only the Co-operative Movement will have some scope of ameliorating the condition of agriculturists.

8343. One of the points you make out in your note is that it is absolutely essential to redeem agriculturists from their old debts. Supposing you redeem them from their debts to-morrow, do you think that they would not go into debt again?—They would, if you do not take up the problem of education side by side. I have said in my note that his indebtedness is due mainly to his ignorance, and to remove his ignorance is the *sine qua non* of his deliverance.

8344. Do you not think that long-term loans would require closer and a more detailed enquiry?—Yes, I admit that, but then I say, to make it more successful, money should be paid readily, easily and at a lower rate of interest. I have been instrumental in getting another society formed in Sahol this year on March 21st. It is near my village. The people came to me because the frost actually ruined their crop and they wanted money. I wrote to the *taluka* organizer and he came to Ilav. We succeeded in starting a society on that very day. Three persons applied for loans for old debt redemption from the Land Mortgage Bank and out of whom one was from the Ilav Society. I think those two or three persons called about six or seven times. This means money. They had to borrow from a *sowcar* Rs. 500 in the meanwhile to carry on. Of course I do not find fault with the bank; as you say, it requires time. Still two months more will be required from now to get this loan. The application was sent in March. My latest information is that it will still take months before they get loan—so, more than a year will have elapsed by the time. According to revenue codes, the lands

are transferred by sale by mutation, but they are not recognised by a civil court and, therefore, the co-operative society also does not recognize them, but you will find half of the sales in the Record of Rights like that.

8345. Sales to whom?—They are transferred to other people to save themselves the expenses of registration. This is not recognised by the co-operative society.

8346. But it is not a legal transfer?—In the revenue side Government recognise it.

8347. But a civil court will not recognise it?—No.

8348. Do you know that the record of rights is a record of possession?—Yes. There are so many transactions and now the question crops up that when they apply for a loan they should register the document only for that purpose and undergo expenses.

8349. But must not the title be clear because they should get a big loan?—But the title they have now is not disputed by anyone.

8350. It can be disputed at any time in a civil court?—The land was in their possession for the last 50 or 60 years.

8351. Your whole point in this note seems to be that general education and at the same time redemption of old debts would considerably improve their financial condition?—Yes. Their ignorance will be removed; they will know how to take care of their interests and they will be taught better methods of farming.

8352. Perhaps this is a question of time?—Yes.

8353. Supposing these things are done, then the question of giving them finance for their current needs would arise. What system would you follow?—I would ask them to go to societies only.

8354. Is the lack of education at the root of all these evils?—Yes. The agriculturists must be taught the business side of it.

8355. Is not a good Gujarati cultivator here businesslike?—No, he is not really businesslike inspite of his native intelligence.

8356. What do you think about the present system of working marketing cotton sale societies?—At present *kapas* is bought through *dalals*. In the beginning of the season there are no *vandhas* and as time goes on there crop up so many *vandhas* on account of quality, short weight, etc.

8357. Are they raised at the gins?—Yes. The *kapas* is taken to the gin and about a seer of cotton is taken from the cart. The clerk goes to the proprietor and tells him that this is the outturn, indicating lower percentage whereupon the gin-owner says that he would not pay him according to the rate already fixed on the pretext of his cotton being inferior and thus there is haggling. The cultivator yields and empties his cart by losing Rs. 10 or Rs. 20 per *bhar*, that is 24 maunds.

8358. Is there no competition amongst buyers?—Formerly there was only one *dalal* for a fixed number of villages and the poor cultivators blindly gave their cotton to him or whatever they had, but at present the agriculturists have started doing on their hook. What they do is, they write to different gin-owners saying "we are going to have a meeting of *dalals* of different gin-owners and whoever is the highest bidder will take away the lot".

8359. Is this a common system now?—No. It is a system partially in vogue.

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8360. But the transactions are done in the village ?—Yes. There are very few transactions done in the market. All transactions or the *kabalas* are done in the village.

8361. But the *dalals* are the gin-owners' *dalals* ?—Yes. With very few exceptions they are from the villages themselves. Now gin-owners have local *dalals* in the village itself, and they are agriculturists themselves.

8362. If there is competition amongst these different *dalals*, the cultivator must be getting a fair price ?—But the trouble arises at the gin.

8363. Do you think that cultivators are fairly treated by the gin-owners ?—Yes, there are many good gin-owners who do not give unnecessary trouble to the cultivators. There are others who do not pay sometimes.

8364. *Mr. Kamat* : Do these *dalals* get brokerage only according to their settled rate or are they also in the habit of receiving anything over and above their brokerage from gin-owners ?—I was myself in the business and I can say that they only get their brokerage pure and simple. There may be dishonest *dalals* also. What they do is, they buy on their own account in the village say at Rs. 175 and show it in the *kabala* at Rs. 177. Sometimes this is practised.

8365. *The Chairman* : Is payment actually made by the *dawal* to the agriculturist ?—It is paid at the counter in the ginning factory. There is a saying in Gujarati and the translation of it is as follows : " Whatever may be the quality of the goods, money must be paid in silver ". In this case payment is made by the *dawal* at the cultivator's village. Therefore the *dalals* must guarantee payment. Well-to-do cultivators who have about 40 or 50 *bhars* of cotton generally do not give it away to *dalals*. They go to gins and settle with the proprietors.

8366. Are there not other merchants who buy cotton besides the gin-owners so far as Broach and Surat districts are concerned ?—I do not know any on this side of Narmada ; unfortunately there are no merchants who do business on their own hook.

8367. Were there many merchants who lost money in speculation in this business ?—There were some and there are at present some, but it is not the general custom in Broach and Surat districts.

8368. There is something being done about the distribution of new seed in your *taluka*. Is it widely distributed ?—No. I know of only one gentleman Mr. Bomanshaw who alone at first tried to introduce it and he succeeded to some extent, but now the cultivators have got it in their heads that the yield of this farm cotton which is from pure straw seed in weight is much less than the *deshi* cotton. So they generally prefer *deshi* cotton. I think they are wrong in their view. In the Rajpipla State the cotton grown was as bad as *ghogari* or much worse than it. The State ordered pure seed from Surat and Navsari and distributed amongst cultivators, who were compelled to buy it. The cotton produced is as good or even better than Surat cotton.

8369. How does this compare with Surat ?—I say it is better. In Bombay, they ask " have you *jagheria* cotton " ?

8370. *Professor Kale* : From what you have stated it appears that the system of the cultivators selling in their own villages is better from the point of view of agriculturists' interest than their selling in a market or in Broach or in any other place ?—The cultivator sells it to the gin-owner in this village. He has to take the cotton to his ginnery. It is weighed there.

8371. Is it the responsibility of the cultivator to transport it?—Yes, and not only that, but he should weigh it at the ginning factory and give correct weight too.

8372. So whether it is actually bought in the village or bought in the market in Broach, the price does not make much difference. Would the price be the same?—Yes. It does not make much difference whether he sells it in the village or here. If he is not bound in the *kabala* of a gin-owner, he may take it anywhere and offer his cotton what they call “*tayari*” or “ready market”. If the market goes down he may lose and if the market is high he may get something higher, but that is not certain.

8373. But do you not think that it will be profitable to the cultivator?—As at present I do not think so. There are certain ginning factories which entirely do business on the cultivator's cotton. They buy from villages, say a certain party offers 50 *bhars*, according to the *kabala* it should be carted to their ginning factory. When the party does so, the time for payment comes and at this time he is paid only Rs. 5 or 10. He is called again after 7 or 10 days. He goes there and again he is not paid. I know one instance in which the cotton was sold in April and payment was made in September.

8374. *The Chairman*: Was full payment made?—Yes, because he was given a receipt. In certain cases payment is not done.

8375. *Professor Kale*: There are difficulties in the regular payment to cultivators?—Yes, but not in the case of good gin-owners. In the beginning the agriculturists are paid regularly but near the close of the season it almost becomes impossible for them to get money. But then money is paid after 15 days.

8376. Do they get the full amount promptly according to the contract?—No. They must be paid according to the contract, but they are not paid.

8377. Is there any trouble about weight?—I do not think that there is generally any trouble about weight, save when the market has gone down. I do not want to do any injustice to honest merchants but there are merchants who actually give shortage.

8378. *The Chairman*: Do you know of any cases where the agriculturists have lost their whole money because a merchant has gone bankrupt?—There have been cases. Fortunately in the case of my three tenants I have been able to recover their money after 3 years because I happened to have a Government servant as my relation and so I could get it.

8379. *Mr. V. L. Mehta*: Have you any experience of these cotton sale societies?—Personally I have not any experience.

8380. Do you think that they offer any solution of the problem of marketing?—If they are worked by the right type of people, they will work satisfactorily.

8381. Do you think that people who bring their *kapas* or cotton to a central place would like to keep it for some time?—Yes.

8382. Do they get proper financial accommodation?—Yes, but they will be charged interest upon the accommodation. Sometimes, as I said, they write to the different gin-owners and at times they take away the whole lot to the ginning factory. The whole lot is heaped up in the ginning factory compound, and if they require any finance against it they get 50 or 60 per cent. at a certain rate of interest. Then they are at liberty to get it ginned at any time they like.

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8383. So there are no difficulties in this matter?—No. There is one difficulty about not getting proper rates. These gin-owners pay according to the village or tract and not according to the quality. If a cart is taken from near a border village on this side of Narmada to Surat he will actually get 20 per cent. more than the price in Ankle-shwar because it is sold in Surat. So it becomes Surat cotton in spite of this Cotton Transport Act. I think a larger per cent. that is grown in Hansot Mahal goes to Surat and Rander because they get 10 or 20 rupees more than they would get at Ilav itself. Suppose the rate is 175 at Ilav Ginning factory, at least at Olpad the rate will be 180 or 185 at Rander and it may be 190 or even more at Surat.

8384. *Mr. Kamal* : How do they evade the Cotton Transport Act?—It is a protected area.

8385. *Mr. V. L. Mehta* : Are there any works of land improvement which could be undertaken in your part and which have not been taken in hand because of want of financial facilities?—Only well-to-do agriculturists can take to works of land improvement.

8386. Cannot people with small holdings take this work in hand and improve their holdings?—This is not possible and they have no idea about it.

8387. What are the things that they can do?—But they cannot do anything by way of improvement because of financial difficulty. There ought to be a central organization. You can call it a *taluka* organization or *taluka* development association and education must be carried to their doors in villages and we should persuade them to follow new methods.

8388. What about finance? Would you give them finance through a land mortgage bank or would you have *taccavi*?—I think *taccavi* would not be feasible. It would be much better to give them loans through a land mortgage bank.

8389. Do you want to simplify the procedure of the land mortgage organization?—Yes; it is very desirable.

8390. You said that sometimes people have to borrow on the security of small ornaments. Where do they borrow from?—They borrow in the village or from *sowcars*.

8391. At very exorbitant rate of interest?—Yes, but not always. They can easily borrow on the security of ornaments and at cheaper rate of interest.

8392. Have you heard about the system of pawnshops opened in other countries?—Yes.

8393. Do you think that it is desirable to introduce some such system here? If *owcars* give money why should not the bank give?—The custody and recovery should be made by the bank and also the valuation.

8394. Who do you think should run these pawnshops?—I believe co-operative banks should run this business. They have surplus money. There is a complaint that their money is not absorbed. But I say for custody, valuation and recovery the bank must be responsible.

8395. You say that in ordinary societies the procedure for obtaining finance is too long?—Yes; vexatiously so.

8396. And that delays should be avoided? How would you achieve this?—Yes. I have seen two or three villages. When the season starts the agriculturists have no money in hand. So before preparing the soil for the next year they require money.

Money is required by the society somewhere between March, April and even May, and after they have paid to their *sowcars*, the societies and landowners, there is very little money left with them and they require finance for agricultural operations. Now between the time of payment by the society and recovery of payment a long time elapses and there are certain formalities. Therefore all these things must be done earlier so that they stick to societies for their financial-needs, current as well as permanent improvements.

8397. *Mr. Kamal* : You said you gave your lands on lease ?—Yes.

8398. May I know generally what is the rent per acre for cotton ?—It depends upon the tract. At Illav I can get Rs. 25 per acre. In the neighbouring village Sahol I would get much less than Rs. 20.

8399. Does it vary from 25 to about 15 ?—No. At times I do not even get as much to pay Government assessment.

8400. Do you think that the profit to a tenant after paying this rent is fairly a decent profit ?—Yes.

8401. How much does he make ?—The land that pays me Rs. 25 per acre is good land. In a good year an acre would fetch 16 maunds of cotton on our side. Calculating for 16 maunds and deducting the expenses he will have four times what I get.

8402. So if he gives a rent of Rs. 25 he makes a profit of Rs. 100 per acre ?—I say that good land gives an yield of 8 to 12 maunds, and would realise for the cultivator a very decent margin of profit.

8403. If lands are so paying in certain tracts why are tenants also indebted ?—Yes, because of bad social customs. Unfortunately a majority of them take to drink. I know a tenant of mine who is in debt. All his lands have been with the *sowcar*. He has been trying to borrow money to get his daughter married before the Sarda Bill comes in force and he must give in the first instance to his guests liquor. This is the first item of hospitality amongst them.

8404. To such people redemption is no salvation ?—No, unless side by side there is education.

8405. About the Dekkhan Agriculturists' Relief Act and the relations alleged to be brought about by this Act, you say that if the Act was removed good relations would be restored ?—I mean good relations would be established if some provisions are inserted to protect the interests of *sowcars* and they are placed on a par with agriculturists. In that case I do not think that a *sowcar* would shrink his hands.

8406. But even apart from those who are good agriculturists the mentality of people had changed during the last 50 years. Take the case of a master and a servant. The person who serves now does not behave in the same manner as the old servant behaved. It is not a question of the Dekkhan Agriculturists' Relief Act here ?—At present the borrower knows that he has so many loopholes to escape from the court's clutches and he knows that his house is safe, his live stock is safe and his field is safe. He can defy his creditor with impunity.

8407. About the village system of cotton sales the whole defect probably lies in the fact that a man is drawn in the contract, but he is not paid money at once ?—No. It is not that he gives away all his cotton. It is only a few *bhars* or even a smaller quantity, he would put into the *kabala*, and that too of his own free will. Suppose in a village:

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there are 200 *bhars* of cotton belonging to different persons, and a *dalal* goes to buy cotton, only 15 or 20 *bhars* will be offered for sale and not the whole.

8408. *The Chairman* : Do you think that it would be desirable to start regulated markets in this District under the Cotton Market Regulations Act ?—As it is, the cultivator does not get a low rate now ; he is not very badly off as is reported under the present system of sale by *dalals*.

8409. But there is another advantage that he can store his cotton and dispose it off whenever better prices prevail ?—Provided that intelligent elected representatives of agriculturists are in a majority there, otherwise they would be outbeaten by the other conflicting interests. There would be representatives of so many conflicting interests. There should be the representatives of the real agriculturists of influence and education and not big landlords merely and necessarily. Then in that case it would be a desirable course.

(The witness withdrew.)

*The Committee then adjourned and reassembled in Ahmedabad on Friday,
the 29th November 1930.*

Friday, November 29th, 1929.

AHMEDABAD.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. H. V. DESAI.

Mr. B. S. KAMAT.

Professor V. G. KALE.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. J. H. GARRETT, I.C.S., Commissioner, N. D., Ahmedabad.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The agriculturist in Gujerat, if he requires additional finance for the purposes of cultivation, gets it from one of the following sources :—

1. If a tenant, from his landlord.
2. From the village money-lender.
3. From Government in the form of *taccavi*.
4. If a member of a co-operative credit society, from that society.

It is not possible to make any rigid distinction between the needs specified in (a), (b) and (c) of this question, but it may be stated that when the amount required is relatively small and is likely to be repaid out of the sale proceeds of the crop, the cultivator prefers to go to his landlord or to a money-lender, because he is not required to undergo the same formalities as in the case of loans from Government or from credit societies. The latter usually require the security in the form of documents hypothecating the borrower's landed property, or at any rate, require sureties to sign. The money-lender, on the other hand, knows the borrower and is frequently ready to lend money on his note of hand only. Many cultivators have regular accounts with the particular money-lender and the payments are made according to the cultivators' convenience.

The rate of interest usually charged is from 9 to 12 per cent. on note of hand and in the case of mortgages slightly less, but mortgages are not regarded with favour chiefly owing to the formalities and expense of drawing up of documents, stamp duty and also because the cultivator regards a mortgage upon his land as lowering his credit and reputation. Apart from these sources the part played by merchants, dealers and banks other than co-operative banks is negligible.

In my opinion the facilities for credit are at present ample. As I read this questionnaire, it appears to suggest that extension of credit is an unmixed blessing to the cultivator. I can state confidently from the experience of 25 years that the ease with which the cultivator can obtain money from these various sources is by no means an unmixed blessing. I know certain areas where cultivators have borrowed imprudently and are now deeply involved. This is largely due to the habits and customs of the peasantry.

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Once they have money in their pockets they are prone to divert it to uses of an unproductive nature. Expenditure on marriages, feasts, funerals and other social functions is placed before improving the production of their land. The result is, of course, insolvency. I, therefore, sound a note of warning, if this Committee is seeking out further means of extending credit.

QUESTION 2.—The actual grower of produce sells his produce almost invariably to the merchant, who is in many cases also the farmer's money-lender. The produce is usually disposed of in the village and is seldom taken to the large centres for sale. In Gujerat there is no regular system of weekly markets in villages as is found in the Deccan and other parts of the Presidency. The purchaser bears the cost of transport to his headquarters and there disposes of the produce to the wholesale dealers. It is only in the case of cotton that any attempt has been made to enable the cultivator to approach the wholesale market. This is done partly through co-operative societies and partly through the growth of centres where brokers bring the grower in touch with the ginning companies and other wholesale organisations which deal in cotton. I am of opinion that there is little scope for any change in these methods owing to the fact that the average farmer has only a very small surplus to dispose of and it would hardly be worth while to attempt any form of direct improvement in marketing. The only possible line of inquiry would be in the direction of co-operative sale societies. To my mind, co-operation in this direction should come before co-operative credit in Gujerat.

QUESTION 3.—It is almost impossible to put down any standard value per acre for the different classes of land in Gujerat. There are still vast areas of land unoccupied, much of which has not a sale value of even Rs. 5 per acre. Such land, of course, is gradually being taken up as the population grows, but as long as this surplus land is available the sale value of occupied land naturally remains low.

As regards the factors affecting land value, the assessment placed upon that land has come to have a very important bearing. Purchasers frequently gauge the value of land by its assessment.

As regards the different kinds of sales detailed in (a), (b) and (c) of this question, land sold by court's decree usually fetches a somewhat low price. This is due first to the possibility of the title being doubtful and secondly to sentimental objection which villagers have to taking up land which formerly belonged to their friends and neighbours. As regards land sold in Gujerat in default of payment of land revenue, there is very frequently a combination among the villagers not to bid and such land although having a good value may not fetch any bid at all. Land sold by private treaty naturally fetches its full value, but here again, owing to the complexity of the rules regarding inheritance under Hindu and Mohamedan laws, there is always a risk of a defective title and hence the value may be somewhat depressed. In addition to the three classes mentioned in this question I would add (d) unoccupied Government land. Such land usually requires considerable expenditure to bring it under cultivation; but allowing for this, it fetches its full market value where such land is not available in large areas.

QUESTION 4.—Mortgage of land and agricultural holdings in all parts of Gujerat is not restricted by any legal impediment except in the case of:—

- (i) land held on what is known as the restricted tenure (this tenure is applied to unoccupied Government land sold to members of the backward classes only and is designed to prevent the land from falling into the hands of speculators).

(ii) land held on *talukdari* and other special tenures. As regards the Record of Rights, the Bombay Presidency has a perfectly good system, which is available for public inspection in each village and covers every survey number. Where the *ryotwari* tenure is in force, I do not consider that any improvement in this direction can be made.

QUESTION 5.—I have already stated above that there is need for great caution in further extending the facilities for credit to the agricultural classes and in reply to this question I would say that it is quite impossible to obtain even an approximate estimate of the existing indebtedness of these classes.

QUESTION 6.—In Gujerat it is very difficult to find any satisfactory way of adding to the farmers' income by means of subsidiary industries. In the first place, the farmers in Gujerat are debarred by their social prejudices from any such subsidiary industry as keeping fowls or other animals for food. The only important industry which is carried on by some of them is production of milk and *ghee* from buffaloes. This is certainly a very important side of their work and it is in this direction, if any, that improvement may possibly be achieved. In many villages there is a sort of co-operation in the disposal of dairy products. As for spinning and weaving, I do not consider that these are to be regarded as economic proposals. Every household has to carry on certain minor work such as sewing and rough carpentry which do not bring in any financial return. Hand-spinning and hand-weaving appears to me to fall in this category and can never be a source of additional revenues to the farmer. I think it may be mentioned that in many of the poor agriculturists' families one or more members go to the large cities and add to their income by working in factories or as porters and the like. These forms of activity are undoubtedly subsidiary to agriculture, inasmuch as these persons retain their interest in their lands and during the season return to work on those lands.

SECTION III.

QUESTION 1.—There are branches of several important banks in all towns of Gujerat. All these are Indian joint stock banks except the Imperial Bank of India. These banks appear to me to provide all the necessary facilities for ordinary banking and perhaps have extended their activities somewhat beyond the present needs. For instance, in Viramgam, a town of over 20,000 inhabitants, there is a branch of the Imperial Bank of India, but I understand on good authority that this branch does very little business and if it were a question of only maintaining a branch in places where it pays its way, this branch would have to be closed.

In a rural area it is hardly possible for an ordinary bank run on joint stock lines to pay its way at all. I am unable to suggest any method whereby the banking habit could be extended.

QUESTION 2.—Most of these banks accept saving bank accounts and in addition, of course, there is the post office savings bank. These facilities appear to be used by all classes and the habit of deposit of savings in these institutions is, no doubt, gradually increasing.

QUESTION 4.—The cheque-habit is practically unknown to the ordinary agriculturist. It is confined to the traders, merchants and a few large landholders.

QUESTION 5.—I do not consider that the banking and investment habit in India, or at any rate in Gujerat, is of unduly slow growth. It appears to me to be fully recognized among those classes who have surplus resources for deposit or investment.

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As regards opening of new branches by the Imperial Bank of India, I have referred above to the case of Viramgam and I am inclined to think that where there is no important Government business or large industrial or wholesale produce business to be dealt with, it is not practicable to open further branches. The ordinary small man is inclined to deposit his money with banks of less standing simply because such banks are able to offer a higher rate of interest.

Oral Evidence.

8410. *The Chairman*: Mr. Garrett, you are the Commissioner of Ahmedabad?—Yes, I am the Acting Commissioner.

8411. In reply to our questionnaire you sound a note of warning against the provision of further means of credit for agriculturists. Our main object is to find out how far the present credit facilities are sufficient, and whether finance is available at easy rates of interest. What do you think as regards these two points?—In my opinion, there are adequate means of credit, and as long as an agriculturist has security, or is known to be a reliable man, I believe, he has apparently no difficulty in obtaining such loans as he requires.

8412. What about the rate of interest at which he has to borrow?—The rate of interest for a man of good credit, in my opinion, is by no means excessive. For instance, on pawn of ornaments, where the security is quite safe, they can obtain loans at 9 per cent. without difficulty, and considering the present bank rate is 7 per cent., this appears to be a reasonable rate. And apart from pawning of ornaments, which is the simplest form of borrowing which I can think of, a man of good credit can obtain loans at 12 per cent. in North Gujerat. 12 per cent. may be taken as standard. Some people can borrow at a lower rate, and some who have no good status may have to pay more.

8413. We have been told by some agricultural officers that to make agriculture paying the rate of interest ought to be about 6 per cent.?—That appears to me to be quite impracticable from the business point of view. Besides, there is considerable trouble of recovering the money advanced, and the lender must have some reasonable advantage over and above what he would have in safe commercial investments.

8414. You say that there are four sources from which the agriculturist gets his finance. Which of these is the most advantageous for the cultivator under the present circumstances?—I am afraid, I cannot say that one form is more advantageous than another. I think it is a very good thing that there should be several sources from which a person may obtain loans. There are advantages as well as disadvantages in connection with all these sources. For instance, the Government coming into the field brings in a lot of formality and especially it brings in that rigidity of repayment, which the ordinary agriculturist does not like. He likes to pay at his convenience, and I think, he likes to pay a higher rate of interest in consideration of that sort of laxity, which the village money-lender gives him.

8415. What is the rate of interest in the case of the backward classes?—I think, they will have to pay a higher rate of interest. They will have to pay about 25 per cent.

8416. Do you think that agriculture can be paying if they have to borrow capital at such high rates?—My idea is that the man who has to borrow at 25 per cent. is not really borrowing for the improvement of his agriculture. He would probably be a man without much responsibility, and very frequently bad debts result from these loans, and therefore, it is inevitable that the rate of interest should be high.

8417. There is another factor. We find that a majority of holdings in Surat, Broach and Ahmedabad are below five acres. We find that about 54 per cent. of the holdings in Ahmedabad are below five acres. We have also been told that it is not possible for a man to maintain himself and his family, if he has five acres of land, unless he has some supplementary source of income?—Five acres of dry land is not an economic holding.

8418. Would it not be dangerous to the creditor to finance a man who is in that position?—It is not possible to finance him with safety. Such a man has practically very little security to offer, and therefore, the creditor runs a great risk.

8419. Do you think, as regards cotton, there is sufficient competition in the various markets here? Are there not rings in some cases?—I am not prepared to say that in all cases the grower is able to obtain a free price. It is quite likely that a certain amount of combination amongst buyers may operate to his disadvantage, but I do not think that the position is quite as serious as all that. There is undoubtedly a lot of real competition, especially in places which are near to the recognised centres for the sale and ginning of cotton.

8420. Do you know, if any large number of producers has to sell cotton immediately after it is ready, because they have not the necessary finance?—Yes; probably that is so because they are anxious to sell as soon as possible after it is ready, but I am not able to say whether this is so because they are forced to sell at that stage, or because they feel inclined to think that the market may drop, or any other reason. I notice that cultivators very often hold up their sales, if they think that the market may rise.

8421. In that case, do they keep their cotton in their own villages?—Yes.

8422. Would it be desirable to have warehouses where cultivators can keep cotton and get some advances against it?—Yes; I am inclined to think that some such scheme would be helpful to the cultivator; but I am not quite clear as to who should be responsible for managing these warehouses.

8423. A scheme has been brought to our notice which prevails in Egypt, where Government undertakes to advance against the security of cotton kept in certain approved godowns—whether godowns of banks or of gins—on which Government has certain amount of control. Would you approve of such a scheme?—As regards the agency, I would prefer to refrain from giving an opinion. Ordinarily, I am not in favour of Government having much hand in business; but generally if you have a competent authority to run this, it would be better.

8424. Does Government do much in this division by way of advancing *taccavi* for current agricultural purposes or for land improvement?—Yes, there are certain tracts, in which *taccavi* may be given under the Agriculturists' Loans Act or under the Land Improvement Loans Act too; but in certain other tracts such advances under the Agriculturists' Loans Act are not admissible—tracts which are supposed to be more or less immune from famine.

8425. Is it in tracts inhabited by backward classes that advances are made under the Agriculturists' Loans Act?—Not wholly, but there is a large percentage of cultivators who are of the backward classes.

8426. For land improvement, is it not a fact that the cultivator generally demands *taccavi*, and that he cannot find sufficient capital from ordinary sources for long term?—Yes, to some extent when a long-term loan is required for digging a well or anything of

that sort, there is rather a strong demand for obtaining such loans from Government which appears to me to indicate that the ordinary money-lender is not inclined to lock up his capital indefinitely in this way.

8427. Do you think that there is room for larger grants by Government under the Land Improvement Loans Act?—On the whole, I say that Government is fairly liberal in giving loans for land improvement.

8428. If there are larger demands, would there be any difficulty for the provision of funds?—I think it might be arranged provided the works are suitable.

8429. Referring to question 3, is there a large amount of unoccupied Government land in Gujerat?—Yes.

8430. There is a very large number of uneconomic holding. Why do these people not go in for such land improvement?—The *talukas* which are near large cities are generally fully developed, and to get this waste land one has to go out to some distance, to areas which are inhabited almost entirely by persons of the more backward class, and the movement from the more fully developed area to this outlying tract is now markedly in progress, and much of this waste land is being taken up from year to year.

8431. Do any of these people who have uneconomic holdings not go in for more lands, because they have no finance to purchase new lands?—It is so to some extent, but the price of this waste land in the outlying area is very low.

8432. Referring to question 4, in certain districts in Gujerat you have *bhagdari* tenure under which the land is not alienable except under certain conditions. Some of the witnesses in Broach especially said that it would be a good thing, if the Bhagdari Act is abolished, and thus land is made freely alienable. They also said that such legislation ought not to have been passed. Do you agree with that view?—I have not thought over the matter; I should like to investigate this matter. Far more important question is that of *talukdari* tenure.

8433. Is the present policy to allow these *talukdars* to mortgage their lands, if necessary?—Yes, in case of all except the primogeniture estates, we usually do not hold any objection to the incumbrance or to the alienation of *talukdari* lands.

8434. Are the actual cultivators tenants-at-will in many of the *talukdari* villages?—Yes, that is almost universally so.

8435. Are they financed by *talukdars* for agricultural purposes?—Yes, but many of the *talukdars* are themselves impoverished and are not different from tenants.

8436. In reply to question 3 you say: "Land sold by court's decree usually fetches a somewhat low price." Is there no upset price fixed by the Collector?—Yes, there is, but that is below the valuation, and usually it does not exceed the upset price.

8437. Does it happen that the creditor himself has to buy in many cases?—In some cases.

8438. It has been suggested to us that the formation of land mortgage banks for long-term credit both for land improvement and for redemption of debts would be desirable. Such land mortgage banks would have the security of land on the borrowers, and if such land in case of default is not easily saleable, the land mortgage banks would be in difficulty after some time. Do you think that will be a danger?—I consider that such sales are very difficult.

8439. As regards the Record of Rights, some pleaders in Surat suggested that no oral transactions should be entered into the Record, because they said that very often the

creditor goes and makes a statement, and that is recorded, and it is taken as presumptive proof by the courts unless evidence to the contrary is brought forward?—I am strongly opposed to recognition of oral transactions. Such transactions are almost all illegal under the Transfer of Property Act.

8440. If land is sold by oral agreement and is actually transferred to the buyer and not entered into the Record of Rights, the Record of Rights would not show the actual state of things?—It would; the Record of Rights shows possession, and if the land was actually transferred, it would have to be entered.

8441. In answer to question 5 you say: "It is quite impossible to obtain even an approximate estimate of the existing indebtedness of the agricultural classes." Do you not think that it would be possible if in a village a house-to-house enquiry is made?—Yes, it could be done, but I consider that such an enquiry would be so extensive as to be practically impossible; we should have required such an enormous staff and such an enormous expense that it could not be done.

8442. You say the important secondary industry in Gujerat is dairying. Do you think that it is at present properly organised?—I do not think so.

8443. Have you any suggestions to make? Is there any finance required?—I have discussed this question very often with villagers, and asked them why they deal with their surplus milk in small quantities, each man for instance prepares a seer or half a seer of *ghee* out of so much milk instead of concentrating it in one place, where the production of *ghee* would be done more economically and probably under more sanitary condition, and I put it down to mistrust these people have in one another. Some people may send adulterated milk, and such difficulties do exist. But I think that certainly in a large village a dairy on co-operative lines with proper means of testing the milk could be a success.

8444. In reply to question 1, section III, you say: "There are branches of several important banks in all towns of Gujerat." Besides the branches of the Imperial Bank, two branches of the Baroda Bank—one here and one in Surat—the branch of the Central Bank here and the branch of the Bank of India, are there any more banks?—No.

8445. You say: "In a rural area it is hardly possible for an ordinary bank to run on joint stock lines to pay its way at all." Is that because you think there would not be sufficient business for a bank?—It would not be a practical proposition from the business point of view. No bank can be justified unless the business of the bank can bring in certain profit.

8446. As regards savings banks, do you think that many agriculturists put their savings in such banks, or is it only the educated and the urban class that deposit in savings banks?—I think that some rural inhabitants do put money into the savings banks, but I also consider that it is only those who are very intelligent and have had some education who do it. It also depends very largely upon whether they have postal savings banks in a village or not. They do not usually go to other villages for the purpose. Some villagers have spoken to me about giving school-masters the power to receive deposits in the post office savings banks, that is to say, the village school-master should also be a village postmaster. I am afraid that that would not be possible, because these school-masters have little time to do it, and the difficulty of keeping stock of cash and also of remitting cash would be considerable.

8447. Do you think it is possible for a schoolmaster to receive deposits and remit the money?—I think it will mean an additional number of postmen to carry the money.

8448. Will the schoolmasters be like agents of bigger savings banks?—Yes.

8449. Do you know, if there is a tendency in Gujerat to buy gold and hoard it to any large extent?—Yes; I think there is.

8450. Is it invested in ornaments or bullion?—I think they probably purchase bullion and sometimes ornaments, if they require.

8451. *Mr. Kamat*: About the question of small holdings, a five-acre plot is known to be uneconomic unless there is a well in it and the cultivator grows some garden produce. Now 54 per cent. of the people in Gujerat are in that plight. Under the circumstances, would it not be a good policy for the State to give these people *taccavi* for, say, ten years to encourage them to sink wells, so as to save them from their chronic indebtedness?—In the first place a very large part of Gujerat is unsuitable for well sinking, as you cannot obtain sweet water under any circumstances. But assuming that the area is fit for sinking of wells, I would say that the only hope is to get these uneconomic holders to combine and cover an area such as one well can irrigate, say forty acres. If they can all thus join, we can advance them a loan. We would be prepared to do that under the existing rules if half a dozen people holding five acres of land join.

8452. On this question of Money-lenders' Act, that is to say, regulating their transactions, auditing their accounts by special legislation, do you think legislation of that nature would be in the interest of the agriculturists?—I have not really considered that form of legislation. I do not quite see how it is going to assist them in getting money cheaper or more rapidly.

8453. It is not intended to give them money more rapidly than now, but probably it is intended to have a sort of check against any fraudulent practice or charging exorbitant rates of interest by some money-lenders?—I am afraid it would not have that result as long as the borrower is completely illiterate.

8454. On this suggestion of co-operative dairying in a village by pooling of the village milk, do you think that the State should take the initiative, say either through the Co-operative Department or the Agricultural Department, to select villages and have there a sort of a demonstration dairy for educating public opinion in the matter?—I think this might be done provided you get the goodwill of the people in the villages. That would be the first essential. And if they prefer that some Government Department, such as the Co-operative Department or the Agricultural Department should run a demonstrative dairy, I would agree that this would be a very useful scheme. But it is of no use unless people themselves are willing to bring their goods to this institution.

8455. *Mr. Desai*: In your statement you say: "I can state confidently from the experience of twenty-five years that the ease with which the cultivator can obtain money from these various sources is by no means an unmixed blessing." I want to know your views whether the village *sowcar* would be the right man to judge the necessities of the agriculturist and the time when to make the payment to the agriculturist?—Yes, I believe that the village *sowcar* serves a very useful purpose to that extent, and it would be impossible to do away with him. He knows the man and he knows his needs, and in some respects he is able to judge whether the loan is likely to be used for productive purposes or for the use of wedding or funeral or some purpose of that sort. I find from the examination of *sowcars'* books that they usually enter the purpose for which they advance. For instance they would write: "Lent Rama for paying Government

assessment". And that is a thing, which nobody except the man on the spot can really know about.

8456. Has the existing legislation undermined the position of these village *sowcars* and made the recoveries of loans difficult? What are your views?—No, I do not think that it has undermined their position; they still carry on their business.

8457. But they carry on their business with the existing defects?—I am not prepared to say that these Acts have done much harm.

8458. And assuming for a moment that better facilities would be afforded to these village *sowcars*, do you not think that they would be more useful to the agriculturists?—I am not in favour of making loans so easily knowing that agriculturists are likely to be extravagant. I think that on the whole the village *sowcar* is treated quite fairly by the existing laws, and it is a question for his judgment to know whether to lend or not to a particular man.

8459. *The Chairman*: Supposing the means of recovery is made speedier, will that affect the rate of interest, or the facilities which the *sowcars* give to the cultivators?—No; I do not think that these considerations do come into the *sowcars*' mind at all in fixing the rate of interest prevailing in Gujerat. I know cases in Gujerat where men can borrow at six per cent. because they know that they are very good men. They can borrow at a lower rate than a merchant can borrow on Government paper.

8460. *Professor Kale*: With regard to this question of the rate of interest, you seem to hold that inasmuch as the general rate of interest in the country is about 7 per cent. the rate of interest at which the cultivator has to borrow is not very high?—On the whole, I do not consider that it is unduly high.

8461. Have you considered that the two money markets—the money market of the cultivator and the money market of the trader in a large town—are entirely different, as it were water-tight compartments and that the rate of interest in the village is not affected by the rate of interest in the Presidency towns?—The change is not immediate, but it must eventually result. The prevailing bank rate of 7 per cent. may not affect the rate of interest of the village *sowcar* so long as he deals with his own money, but eventually it must affect the rate, because he will have to raise his excess capital at a higher rate of interest.

8462. Many witnesses have told us that they generally trade on their own capital?—It is true that many of the small money-lenders do not expand their business by borrowing from outside.

8463. You have stated that there is a large area which is still awaiting cultivation. Why is it not taken up for cultivation? Is it because it is inaccessible?—The position is that most of this land is in the outlying parts, and you will find that during the last five or six years a large area of land has been taken up by agriculturists from Borsad, Kheda and other districts with a view to increasing their limited holdings, and thus this waste area is being reduced from year to year, and as the population spreads this would be diminished. But at the same time we have to take into consideration the demands of the graziers, and in North Gujerat we have to keep land for them, so that we have to weigh the two claims very carefully. If we can give out land regardless of the claims of graziers, we can give out thousands of acres.

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8464. But then the problem of fodder would be difficult?—My view is that when the land is cultivable, it is not economic to keep it under grass. In a hundred acres of cultivable land they can grow more fodder than in a hundred acres of grass.

8465. *Mr. V. L. Mehta*: In reply to the Chairman you have said that there is a tendency for people in this division to go in for gold and silver. Is it the agricultural community or the trading community?—I think all classes are rather inclined to put in some money in gold and silver.

8466. Is that tendency more in evidence in one district than in the other?—I am not prepared to say that.

8467. You say that the backward classes have to pay high rate of interest on their borrowings. Do these classes form a fairly considerable proportion of the agricultural population?—They form a majority, and in actual numbers, they are probably more than the advanced classes, but in actual area held, I should say that the advanced classes hold more.

8468. Is it only in some districts that these backward classes hold their lands on the restricted tenure?—It is everywhere; the practice exists in all districts, but it is only a recent introduction.

8469. We have been given to understand that the effect of the restricted tenure would be to restrict the credit of the agriculturist. He cannot borrow on the same terms as one holding lands under the old tenure, can he?—The land under restricted tenure is of no use as security, because the land cannot be sold without the permission of the Collector. I am afraid, it is unavoidable. We give the backward man security of tenure by saying that he cannot alienate his land, so that he cannot become landless.

8470. Do you not think it is necessary to take some special measure to see that he gets money on fair terms?—I do not know how it is possible. It is only a question of whether such a man is able to repay or not. I do not think a man say of the *koli* class, who owns land under restricted tenure is any worse off than a man of the *koli* class who owns his own land.

8471. You said that there are certain approved areas in this division, in which agriculturists could get *taccavi* under the Agriculturists' Loans Act, whereas in other tracts they could not. If there is any special tract to be added to this number, is there any difficulty in doing that?—Government can do it at any time if a case is made out.

8472. As regards land improvement, do you think there is no difficulty felt by people in taking up land improvement schemes?—I think that a man who has some reasonable scheme for improving his land is ordinarily able to obtain money.

8473. I believe the Agricultural Commission pointed out that some people do not know how to prepare such reasonable schemes, and that there should be some agency to indicate to these people how to prepare sound schemes. Have you any organisation of that sort?—We have nothing specially devoted to that, but we have advisory departments, which are always ready to assist anybody who wants to know whether a scheme would be successful or not.

8474. Would lack of technical advice come in the way of people going in for land improvement on a large scale?—For ordinary land improvements, such as well digging, certainly in Gujarat the better class cultivator has very great experience and knowledge, and he is generally able to say whether a particular scheme would be useful to him or not.

It is only in more advanced schemes such as levelling with tractors or instalment of oil engines that technical advice is required.

8475. *Professor Kale* : Some witnesses who have appeared before us have told us that many village money-lenders have withdrawn from the business on account of the adverse effect that has been produced on their business by the Dekkhan Agriculturists' Relief Act. Do you not agree with that?—No.

8476. Is there much land held under the ordinary tenure by backward classes?—Yes.

8477. Is there a tendency for land to pass from their hands into the hands of advanced classes or money-lenders?—I think the tendency is not very great.

8478. Do you know if there are many agricultural money-lenders? Do you think they are better than professional money-lenders?—I see no difference between them.

8479. In some districts we have been told that the agriculturist money-lender is worse because he has an eye on the land. Do you think there is some truth in that?—Yes, I think there is some difference. As a matter of fact many of the agriculturists do hold land.

(The witness withdrew.)

THE AHMEDABAD MILLOWNERS' ASSOCIATION, AHMEDABAD.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—It is difficult to describe the present system by which the agriculturists of the district obtain finance from time to time in the absence of accurate statistics compiled after detailed investigations and published by Government. The question of agricultural finance and indebtedness has been recently handled by co-operative societies, co-operative banks and village *shroffs*. Agriculturists usually obtain financial help from village *shroffs* and co-operative institutions for expenses during cultivation or for capital and permanent improvements. Even during periods of failure of monsoon these sources are tapped by them for temporary relief.

During times of flood and devastations Government render assistance out of famine funds. Growth of co-operative banks and societies seems to have improved agricultural credit during recent years. Co-ordination between Government and co-operative agencies is gradually increasing, but the illiteracy prevailing among the agriculturists prevents them from coming directly in touch with such agencies and Government bodies. Until the agriculturists are capable of understanding their rights and responsibilities and are able to deal with problems vitally affecting their interests there is little scope for improvement in that direction.

QUESTION 2.—Principal crops are marketed either by the purchasers of the locality or the district, or by big merchants and agents of exporting firms. Formation of pools or co-operative agencies in marketing agricultural products are very helpful, particularly owing to the rate of interest which would be comparatively low under such arrangements.

The Ahmedabad Millowners' Association.

Money at cheap rate through *sowcars*, *shroffs*, banks, and Government agency during marketing season would prove a better credit facility for the agriculturists. Bank rate should be kept at its lowest level during periods when money is required during the process of marketing so that the producer and the purchaser might have better facilities and easy finance. Introduction of licensed warehouses on certain railway lines would also render assistance in this matter. Special efforts are needed to bring the original producers in direct touch with the purchasing agencies or merchants, without the intervention of middlemen or small brokers or money-lenders. Sight *hundis* and *hundis* payable after a period of certain number of months are usually current in the district. Such *hundis* are usually sold by merchants, *shroffs*, or commission agents.

QUESTION 4.—It is understood that the question of land mortgage banks or agricultural banks is under serious consideration of the Government of Bombay and it is being examined by different divisional boards of agriculture in the Presidency. The Madras Government have recently approved a scheme for a central land mortgage bank on a guarantee of 10 lakhs by way of interest for five years in the initial stage.

QUESTION 5.—An estimate of the existing indebtedness of the agricultural masses is available from the Report of the Special Enquiry into the Second Revision Settlement of the Bardoli and Chorasi *talukas* recently published by Government. General details with special instances are recorded on pages 62, 64, 65 and 66 of that report.

The process of the enforcement of the old debts and the passing on of the landed property into the hands of the creditors materially reduces the efficiency of the farmers and takes away from them the incentive to produce more in an efficient and better manner.

QUESTION 6.—Cotton-ginning factories and subsidiary industries like *gar* (molasses making, preparing of *ghee*, hand-spinning and hand-weaving are found supplemental to agriculture in this district. There is a great dearth of subsidiary industry in villages and Government should tackle this problem at an early date so that cottage industries will keep the agriculturists busy during such periods of the year when they have practically no work. Ignorance and uneconomic habits of the village masses are the chief causes which prevent the growth of cottage industries. Extreme illiteracy should be first removed by adequate provision of arrangements for giving education. In order to assist agriculturists development of industries should be so made as would absorb the surplus population of the villages, lessen the pressure on land and increase the earning capacity of idle population. Growth of industries and absorption of surplus population side by side would raise the standard of living and increase the wage-earning capacity of agricultural labour.

QUESTION 7.—Relations between indigenous banks, joint stock banks and the Imperial Bank of India could no doubt be said to be satisfactory; however, the basis of co-operation and co-ordination is not such as would prove beneficial to the requirements of the agriculturists and *shroffs*, and similar other financing concerns.

SECTION II.

QUESTIONS 1, 2 AND 3.—Banks and firms of *shroffs* receive deposits, grant loans, arrange remittance of money to outside centres and negotiate *hundis* and drafts received by merchants, mills and private individuals in Ahmedabad. The trade industry of Ahmedabad being chiefly concerned with the purchase of cotton and the sale of cotton piece-goods, the *shroffs* are engaged in financing operations

by local firms of *shroffs* and banks. The capital invested and the volume of business done are considerable, Ahmedabad being a great centre of cotton purchase and a distributing centre of cotton piece-goods manufactured in about 70 local cotton mills.

QUESTION 4.—Sight *hundis*, *hundis* maturing after a period of certain months, current account loans, cash credit, promissory notes and over-drafts are the instruments of credit in local banks and of local bankers and *shroffs*.

QUESTION 5.—Terms and conditions of loans and cash credits depend upon the party, security offered and the prestige and status of a firm. Funds to meet market demand are provided by local banks and through *hundis* received from other centres for purchases made in Ahmedabad. The rates of interest vary from $4\frac{1}{2}$ to 7 per cent. according to the season and the security offered by the party.

QUESTION 6.—The general practice with indigenous *shroffs* is to borrow money from one another, and if needs be from banks, for their daily transactions. On the basis of current account or short-term deposit such transactions are mutually effected. An indigenous system of clearing is obtainable in local *shroffs* who settle mutual accounts every evening.

QUESTION 7.—There are no prejudices against indigenous bankers or *shroffs* in Ahmedabad and the system obtained at present has sufficient protection in law. The dealings of this class of bankers with their clientele are conducted on sound lines.

QUESTION 8.—The fountain-head of obtaining money is the Imperial Bank. If greater co-operation and easy methods between *shroffs* and the Bank could be established they would prove much more serviceable to the community. *Shroffs* are more inclined to obtain additional finance from their fellow-*shroffs* than from the Imperial Bank. The Bank, which receives deposits and heavy amounts from Government at cheap rate of interest and even free from interest, should give the *shroffs* the same facilities which are derived by them from dealing among themselves. The Bank authorities on the spot should try to come personally in touch with local *shroffs* and should have freedom to a certain extent to advance money to selected parties on the lines on which similar advances are made by one *shroff* to the other. By a gradual development of this type of co-operation and co-ordination between indigenous bankers (*shroffs*) and the Imperial Bank the indigenous banking system in the country could be greatly improved and rendered more serviceable to the community.

QUESTION 10.—Facilities of easy access and full co-operation between indigenous bankers, *shroffs*, co-operative banks and societies, and banks established as joint stock companies with less rigidity and greater ease would prove helpful in linking the indigenous banking system with the central money-market and provincial capitals. Establishment of a branch of each institution assisted by a local directorate or a committee of advisers in each important centre of the district would be a direct step in securing such co-operation.

QUESTION 11.—During certain seasons when the marketing of crops is over, and particularly in monsoon, some extra amounts of money remain in the district in the hands of indigenous bankers without immediate employment. At such times considerable amounts flow to the provincial capital and trade centres like Ahmedabad, Baroda, Surat, etc.

SECTION III.

QUESTION 1.—Banks and *shroffs* are the chief resources for investment and attraction of capital in this province. Co-operative societies, banks and indigenous bankers provide facilities of investment as well as of financing trade, industry and local transactions. Insurance companies, on the contrary, take away large amounts to provincial capitals or to foreign countries without the facilities of the circulation of that amount in that locality. In seven hundred thousand villages of India the masses are practically illiterate, ignorant and unable to grasp the significance of civilised methods and current progress. Millions of people thus keep aloof from banking institutions and similar other facilities. Owing to their extreme poverty they keep their scanty savings in the form of silver and gold ornaments on their own person and utilise them when they come in need or are pressed under hard circumstances. This cannot be called hoarding as it is not the surplus or superfluous wealth of such people. However, large amounts remain idle in such circumstances and no interest is obtained out of the same. Social customs, traditions and religious beliefs also come in the way of lessening the habit of keeping some amounts in the form of ornaments. In several cases due to such customs and beliefs people have to go in for ornaments even by incurring debts. In case gold standard and gold currency be effectively adopted in the country, greater confidence in the public mind would tend to reduce the amount of monies remaining idle. The very feeling of continued confidence of the people to the effect that gold will be made available to them whenever required, due to the adoption of gold standard and gold currency, will convince them and induce them to keep their savings in interest bearing securities or institutions.

QUESTION 2.—Postal cash certificates are, no doubt, an inducement to small investors to invest their money with Government under a good rate of interest; but the same affect indigenous bankers, *shroffs* and banks unfavourably. Large amounts which would have easily come to such institutions are taken away by Government at a higher rate of interest. This creates unfair competition between Government and other bankers, and as a consequence thereof trades and industries are unable to receive that assistance from indigenous bankers which they would be enabled to receive when such bankers have with them investments at cheap rate of interest. In view of the system of savings banks prevailing in several banks, postal cash certificates, which offer attractive rates, are not deemed desirable.

QUESTION 4.—Since the abolition of stamp duty on cheques the growth of cheque habit has become more evident. Cheques are now increasingly used by all classes of population in the city and wherever facilities of encashing them are obtainable they are used in village centres. Government servants and bank employees are usually trained in the system of cheques, but some measures should be adopted to make it popular in villages. The use of vernacular scripts in banking would be of assistance to village population.

QUESTION 5.—Since times immemorial the system of investment and indigenous (*shroff*) banking is obtainable in India. The financing of the whole country was based on this system and it inspired great confidence in the public. The slow growth as complained of during recent times is largely due to the currency policy, illiteracy, want of industrial development under modern methods, absence of banking facilities and paucity of the resources of the agricultural masses. In olden times though small amounts were kept in investment, the hoarding of commodities in villages which were practically self-supporting afforded the agriculturist greater facilities for his daily maintenance and devotion towards his productive undertaking, *viz.*, farming.

The Ahmedabad Millowners' Association was represented by Mr. SAKARLAL BALABHAI, M.L.C., Vice-President, Mr. SHANTILAL MANGALDAS, Honorary Secretary, and Mr. GORDHANDAS I. PATEL, Secretary.

Oral Evidence.

8480. *The Chairman* : Mr. Sakarlal, you are the Vice-President of the Ahmedabad Millowners' Association ?—Yes.

8481. Mr. Shantilal, you are the Honorary Secretary ?—Yes.

8482. And Mr. Patel, you are the Secretary of the Association ?—Yes.

8483. We are concerned with internal trade only. We want to know how it is financed here. Where do you send your cloth ?—(*Mr. Sakarlal*) : Most of it is sold to local merchants. They in their turn export it to their customers. Sometimes we send it up-country and other places where our commission agents sell it. We keep our clerk to supervise the sales.

8484. Have you here the system of guarantee brokership as they have in Sholapur ?—Our sales are guaranteed.

8485. When you sell your cloth to merchants here, do you get cash or do you give them credit ?—We have to give credit for 12 days. We have a convention established here between the local cloth merchants and ourselves (the Association) and we have to allow 12 days' credit. On the 13th day, they have to pay the money, and if they do not pay it, 9 per cent. interest is charged.

8486. Is it the custom for the mills to wait for 12 days or do they issue *hundis* ?—They have to wait for 12 days.

8487. Do you know whether the merchants in their turn sell the goods up-country to outside merchants for cash or for credit ?—They sell for credit.

8488. Is it usual for them to issue *hundis* in this case ?—Yes, and the up-country merchants send *hundis*.

8489. How many days' credit do these merchants give ?—It depends upon the party. It ranges from 14 days to two or three months.

8490. Is there no fixed time limit ?—No.

8491. Do they charge interest ?—Yes.

8492. If at a particular time a mill has a large quantity of cloth on hand, are there facilities for getting finance against the security of the said cloth ?—There is no particular system here.

8493. Do you think that such a system is desirable or necessary ?—Of course, it will help industry. It is necessary.

8494. Does not the Imperial Bank arrange for such finance ?—No.

8495. And as regards your raw produce, do you buy it partly locally ?—Yes, and from up-country and from Surat, Kathiawar, the Deccan, the Punjab, etc.

8496. What is your system ? Do you send your own men to buy it ?—We buy through commission agents and at times we purchase through local men also.

8497. Do you pay them as soon as you purchase the cotton ?—Yes.

8498. Is no credit allowed?—It depends upon the merchant and the mill. If the merchant has facilities he might give credit for some days, but not generally.

8499. We were told in one or two districts in Gujarat that an agriculturist is not paid for some time by the local purchaser?—We pay to the local man at once.

8500. So far as the purchase of cotton by the mills is concerned, there is no need for any finance, is not that so?—Not in case of their credit from merchants. Of course if the credit is there it will facilitate easy working and better buying but such is not the usual practice here.

8501. Can you tell us to what extent the Imperial Bank is helpful to the mills?—It is helpful in no way.

8502. Does it not finance the mills at all?—No.

8503. Neither against the produce nor by giving credit?—No. (*Mr. Shantilal*): If the party is quite sound, the Imperial Bank would come forward to finance it but such a first class party will not have an opportunity of getting a loan, from the Imperial Bank; and if a weak party is in need of a loan, the Imperial Bank will not finance it. This is the difficulty.

8504. So in some cases finance is required from the Imperial Bank and it is not available?—Quite so.

8505. Does not the Imperial Bank advance against securities?—(*Mr. Patel*): Its methods, are too rigid, and they are not likely to be taken advantage of, so long as there are facilities for obtaining finance from other sources.

8506. Do you get those facilities from other sources?—We get better facilities, with less rigidity.

8507. But does not the Imperial Bank advance against goods?—There are certain systems and rules which prevent borrowers from going to the Imperial Bank.

8508. What are those rules?—Renewals at three months and additional securities. I do not know exactly what the full details are. (*Mr. Shantilal*): Generally the Imperial Bank does not advance money on the cloth of Ahmedabad mills.

8509. Do they advance on the cloth of mills in Bombay?—They do advance on English and foreign cloth.

8510. As regards the rate of interest, do you get better terms outside than from the Imperial Bank?—Yes. Usually the terms are better, there are less formalities, and the period is suitable to us.

8511. So far as the present practice of the Imperial Bank is concerned, it is not of any advantage compared with all facilities you get from outside?—No.

8512. Is there any way by which the Imperial Bank can be made useful to the mills here?—(*Mr. Sakarlal*): It can give loans to the mill on credit.

8513. With sureties?—It can give loans even without sureties, in certain cases.

8514. Under the present Act it cannot give loans without sureties, but then the law will have to be changed?—Let it give loans with sureties, but if it begins to advance with less rigidity, there would be better facilities for mills.

8515. You say that the rate of interest is lower outside; but it cannot give you at a lower rate of interest and at the same time afford you better facilities?—No.

8516. Do mills here receive deposits?—Yes.
8517. Can you tell us what are the rates of interest paid on deposits?—They are from $4\frac{1}{2}$ per cent. to 6 per cent.
8518. Does the rate of interest remain the same throughout the year?—*(Mr. Shantilal)*: It changes according to season.
8519. For deposits also?—*(Mr. Patel)*: Not for fixed deposits.
8520. Do mills get accommodation from indigenous *shroffs*?—*(Mr. Sakarlal)*: Yes; the mills get accommodation from indigenous *shroffs* to a large extent.
8521. How many such *shroffs* are here?—There are many big *shroffs* here.
8522. And from these *shroffs* you can get advance easily whenever you require them?—Yes.
8523. You have labourers here. Is it a fact that they are very much in debt?—Not all.
8524. Where do they borrow from?—From money-lenders.
8525. At what rates do they borrow from money-lenders?—They borrow at an usurious rate from Pathans.
8526. Are there many Pathans here?—Yes.
8527. Apart from the Pathans, do not the ordinary money-lenders advance them money?—They do advance them money.
8528. At what rate do they advance them?—It is between 12 and 18 per cent. The Pathans charge one anna or two annas per rupee per month. Recently their number is being reduced.
8529. That is to say that they are going away?—We see usually a lesser number at mill gates now than before.
8530. Is this an indication that the financial condition of labourers has improved?—*(Mr. Patel)*: They might be getting better facilities from local resources or there might be too much harshness on the part of Pathans. So that they were afraid of taking money from them. There is Labour Union here, and it has begun to advance money under a scheme to labourers.
8531. Do any of the mills finance agriculture?—*(Mr. Sakarlal)*: Not directly but indirectly the mills finance agriculture, that is to say, by buying up their cotton.
8532. Do they not finance for cultivation purposes even indirectly?—No.
8533. Is the bulk of the capital supplied by *sowcars* to agriculturists?—Yes.
8534. And to a certain extent, it is supplied by co-operative societies?—Yes.
8535. Do your mills come in contact with co-operative cotton sale societies?—*(Mr. Patel)*: Very rarely. *(Mr. Shantilal)*: Our commission agents are working in different places and they come in contact with them.
8536. How do you find that system from your point of view?—That is better. We can rely on the quality which we purchase from them than from others.
8537. Do agriculturists usually sell their cotton in their villages or do they bring it to some market place?—*(Mr. Sakarlal)*: There are two ways. Some traders go to villages and buy the cotton and some agriculturists bring their crop to the market.

8538. Does an agriculturist get the same price in the market as he gets in his village or does he get more?—It depends upon fluctuations.

8539. If there are facilities available for them to get some advance against cotton, do you think that more agriculturists would bring their crop to the market?—Yes.

8540. Are there any warehousing facilities in the Ahmedabad district?—No.

8541. Is there keen competition amongst the buyers?—Yes.

8542. Do agriculturists usually sell their crop to gin-owners?—(Mr. Shantilal): No, not to gin-owners. This system does not prevail here.

8543. Do other merchants buy the cotton and get it ginned?—Yes.

8544. Are you aware of the licensed warehouse system in America?—No.

8545. The system is this that there is a certain number of warehouses which are licensed by Government. The licensee has to keep a man to classify his cotton, and the warehouses are under the inspection of Government inspectors. When an agriculturist does not want to sell his cotton, it may be *kapas* or ginned cotton, he keeps it in the licensed warehouse and a receipt is given to him showing the quantity and quality of his cotton, so that any financing agency is assured that the receipt expresses the value of the cotton and it can safely advance money against it. The agriculturist, therefore, can hold up his cotton for any length of time.

8546. Do you think that such a system is necessary or desirable here?—(Mr. Sakarlal): It is necessary as far as theory is concerned. It is necessary in the interests of agriculturists and industries also; but how far it will work has to be seen.

8547. Instead of having such licensed warehouses, supposing there are ordinary warehouses in Ahmedabad or in some markets and facilities are afforded to the producer to get an advance of 50 or 60 per cent. of the value of his produce, he can hold up his crop, if necessary; can he not?—(Mr. Patel): By whom are the facilities to be given?

8548. Either by co-operative banks or by *shroffs*. This is done in other districts?—(Mr. Sakarlal): Will the warehouse do the work of selling?

8549. If the warehouse is maintained by a commission agent, can he not sell the crop?—There is the question of commission. If an agriculturist has to undergo a greater expense by this method he would not go in for it. If he thinks that by selling immediately his produce he does not lose much in comparison with his crop if warehoused, naturally he would not go in for a warehouse. If an agriculturist sells *kapas* in his own village he has not to pay any commission. He sells it directly to the trader.

8550. Do you think that agriculturists will go in for such a system?—If they realise the benefits of it, I think they will go in for it. I have heard about Berar.

8551. Do you think that under the present circumstances of marketing, an agriculturist is getting a fair rate compared with the market price, or are there any losses on the way? For instance, in Broach we were told that sometimes *vandhas* are raised and an agriculturist is made to accept an appreciably lower rate than what was fixed before?—I do not think that there are such *vandhas* here.

8552. What is the practice here? Is the price of cotton paid at once when it is brought to the market and sold to the trader?—Yes. The trader will take it to the gin and then he will unload the cart and examine the cotton whether there is any mixed quality.

8553. Does the trader usually find some difficulty with the cotton purchased?—No.

8554. You say : " Introduction of licensed warehouses on certain railway lines would also render assistance in this matter." Why do you want warehouses particularly on railway lines ?—(Mr. Patel) : It will be more convenient to send ginned cotton from the station.

8555. Are *mudati hundis* common here ?—They are very rarely used here.

8556. Were they common some years ago ?—They were not so very common in this district.

8557. Do you think that it is so because people have no confidence or is it because there is a stamp duty on it ?—People now obtain money and pay immediately instead of waiting for months. They can get financial assistance from any source. They would not like to take this risk.

8558. Do you think the fact that a *mudati hundi* has to be stamped has anything to do with its unpopularity ?—Yes.

8559. Would a reduction on the stamp duty increase the number ?—Yes.

8560. Can you give us any estimate as to the amount of finance which the mill industry here gets from *shroffs* ?—We can give you the figures of sale of cloth which will give you an indirect estimate of finance.

8561. Can you supply the figures to us later on ?—It is impossible to supply you these figures because some cloth is sold locally, some is sold outside, some cotton is purchased here and some from outside and, therefore, to find the actual amount in circulation between the *shroffs* and the mills is very difficult.

8562. Can you give us the figures approximately ?—It would amount to 4 to 5 lakhs every day. (Mr. Shantilal) : This will be the value of cloth sold by all mills every day.

8563. From this amount, how would you deduce the amount you get from *shroffs* ?—Entries are made between the firms of *shroffs* and other merchants. From these entries it can be roughly calculated. The cloth merchants here have accounts with *shroffs*, otherwise they will not be able to pay on the 12th day. Each and every cloth merchant keeps an account with a *shroff*. Therefore the *shroffs* indirectly finance the mills.

8564. In question 6 you speak about cottage industries. Have you any practical suggestions to make as to what kind of cottage industry should be introduced here ?—(Mr. Patel) : Except hand-weaving and hand-spinning mentioned in the statement, we cannot suggest anything more.

8565. Is there much hand-weaving done in this district ?—Yes.

8566. What kind of cloth do they weave ?—*Khaddar*.

8567. Do your mills turn out *khaddar* ?—(Mr. Shantilal) : In particular seasons some mills turn out *khaddar*.

8568. Is there much competition between mill-made *khaddar* and hand-made *khaddar* ?—No.

8569. Has the mill-made *khaddar* industry affected the production of hand-made *khaddar* ?—No ; not to an appreciable extent.

8570. Who are the people that take to *khaddar* weaving ?—The lower class people in villages take to it.

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8571. Are they able to sell the *khaddar* at once or do they have to wait?—Sometimes they have to wait and they sell it at a lower price.

8572. Are there many such people carrying on this business?—This cannot be said now. There are some people from the lower class who take to this business.

8573. Do these people who turn out hand-made *khaddar* require a certain amount of financial assistance?—Yes. Sometimes they get yarn from merchants and give the cloth to them, and a certain price for the cloth is paid by the purchaser.

8574. Why do you think that any co-ordination between indigenous banks, joint stock banks and the Imperial Bank will not be beneficial?—I say that it is not existing at present.

8575. Have you any dealings with the *talukas* here?—We have no direct dealings.

8576. In the *talukas* so far as trade is concerned, would it be correct to say that most of the financing is done by the *shroffs*?—Yes.

8577. Does each *shroff* work individually?—Yes.

8578. Have *shroffs* their firms?—Some *shroffs* have partnership firms in different centres or they have their own firms.

8579. Do they also do this agency business in addition to financing?—Yes.

8580. Do you know of any cases in which a *shroff* has come to grief on account of his doing other business while doing *shroffi* business?—There might be cases.

8581. You say: "An indigenous system of clearing is obtainable amongst local *shroffs* who settle mutual accounts every evening". Is it like the Clearing House in Bombay?—No. In the *shroff bazar* all the persons who have transactions with mills assemble, as also the agents of firms. They mutually settle accounts and *havalas* are given to each other as regards the balance.

8582. In question 8 you say: "If greater co-operation and easy methods between *shroffs* and the Bank could be established they would prove much more serviceable to the community." What kind of co-operation do you suggest?—The Imperial Bank should come into closer touch with the local people just as it is found possible in the case of *shroffs* and the local people. Now one *shroff* assists another *shroff* without observing all the formalities. Similarly if the Imperial Bank comes into touch with the local people, their authorities will be in a position to know the position of other parties.

8583. Are not the leading *shroffs* here in touch with the Imperial Bank now?—Not by way of loans. They might have their accounts.

8584. Are they discounting and re-discounting *hundis* from them?—Yes.

8585. Are the mills in contact with joint stock banks here?—Yes.

8586. Do they get much assistance from them?—(Mr. Sakarlal): No. We have only current account with them.

8587. Do not some people keep their accounts with them and transfer their funds?—Transfer of funds and financing are mainly done by *shroffs*. The joint stock banks only tap money from here. (Mr. Patel): They send about 90 per cent. of funds obtained locally to Bombay.

8588. So from the industrial point of view, their existence is far from being useful?—
 (Mr. Shantilal): Yes. The capital is taken away from here. (Mr. Sakarlal): It is more a hindrance in the way of local *shroffs*. Uptil now the rate of interest amongst the *shroffs* was 4½ per cent. Owing to banks receiving deposits at a higher rate, they have to increase their rate of interest to 6 per cent.

8589. Is this not due to the general rise in the rate of interest?—No. (Mr. Shantilal): Some people assert that because the money was going to the banks they had to raise the rate of interest. (Mr. Sakarlal): So far as the Imperial Bank is concerned, it does not give even 5 per cent.

8590. But as a business concern, a bank would try and invest its funds in a place where it gets more profit. Does it not show that it gets more profit by investing in Bombay than here?—(Mr. Shantilal): No. They want a first class security. (Mr. Patel): But it affects the industries directly in certain centres where the rates are low.

8591. What do you think about the postal cash certificates? Is the investment in such certificates increasing or has it decreased?—It is increasing every year.

8592. When there were no postal cash certificates, where were these amounts invested?—They went to the mills and to the *shroffs*, etc.

8593. Were these amounts spent in helping the progress of the industry?—Yes.

8594. Are large amounts deposited in postal cash certificates?—Yes. And the rate of interest being higher so much capital is being locked up.

8595. Do you think that if postal certificates had not absorbed the money, it would have been useful for your industries?—Yes.

8596. Do agriculturists invest in postal cash certificates?—They invest in them very rarely because there are no branches of post office with saving bank account in several places.

8597. In cases where there are such branches of post office, do they invest in postal cash certificates?—But the formalities and other conditions are not suitable to them.

8598. Can you suggest any way as to how best their savings can be utilized, if any?—
 (Mr. Shantilal): They lend amongst themselves. (Mr. Patel): If they have some surplus they will go on spending it in merry-making and in celebrating marriages, etc.

8599. Do you think that if there was gold currency, people would actually invest their money and put their money in banks?—Yes.

8600. Or would they rather hoard gold?—No. On the contrary more confidence would be created by the establishment of gold currency, and that greater confidence would bring out certain locked-up moneys which are not producing interest in the country for the purpose of investment. The effects of the exchange and the want of confidence of people to obtain gold at any time they desire to obtain it are at the root of the whole evil. At that time people were not so much educated and had not developed that consciousness, but now there is greater consciousness in vogue, but the facilities are not at their hands.

8601. Do you think that people are more inclined to save and invest in banks now than they were inclined to do before?—Yes.

The Ahmedabad Millowners' Association.

8602. *Professor Kale* : In view of what you suggest with regard to the work that is done by *shroffs*, it appears as if little can be done by the Imperial Bank or by joint stock banks to help trade and industries ?—(*Mr. Sakarlal*) : Yes.

8603. Are you of opinion that very little can be done by the Imperial Bank to help the trade or industry unless it brings down its rate of interest ?—Yes. And also it must come into touch with the local public.

8604. But the lending rate of interest of the Imperial Bank depends upon the general money market in the country ?—Yes.

8605. Do you think that its rate is high and at times very high ?—(*Mr. Patel*) : Not so at present. It is not so high as compared with the ordinary bank rate. In seasons it is very high.

8606. Do you think that something ought to be done to keep it at a low level so that it may be in a position to advance money at a lower rate of interest ?—Yes, if this is possible, it can help the industry.

8607. Otherwise the Imperial Bank would be of no assistance to industries and to the State and it will not perform its actual national function, is this your view ?—Yes.

8608. Do the mills here buy cotton for the whole of the year at once ?—(*Mr. Sakarlal*) : No. (*Mr. Shantilal*) : During the season we purchase a lot of cotton but not for the whole year. We keep three months' stock always. Otherwise during the season, we purchase a large stock.

8609. *The Chairman* : Where does the cotton remain ?—In addition to the stocks in mills, it remains in the godowns of merchants. There are some traders also who are not actually cultivators and who have their godowns. These traders stock their cotton in their own godowns.

8610. Do they get an advance from the Imperial Bank ?—(*Mr. Sakarlal*) : No. They get advances from *shroffs*. (*Mr. Shantilal*) : The Imperial Bank totally ignores them.

8611. Does not the Imperial Bank advance in Bombay ?—But here it is very strict.

8612. *Professor Kale* : So the work of storing cotton is done by these merchants and they are financed by *shroffs* ?—Yes.

8613. You seem to suggest that much of the money, which goes to-day in the shape of postal cash certificates, would have gone to *shroffs* if there were no postal cash certificates ?—Yes.

8614. Is it not a fact that most of the persons who invest their money in postal cash certificates are Government servants who ordinarily would not have invested their money with *shroffs* ?—(*Mr. Patel*) : What was the position before the cash certificates came into existence ? Wherever it was invested, say with *shroffs* or mills or private banks then, this money has been subsequently withdrawn from them and taken to this Government source.

8615. Is this your impression about what happens in Ahmedabad ?—Yes, and also generally in the district.

8616. Suppose the rate of interest on postal cash certificates were reduced, do you still think that money is withdrawn from this source to Government source ?—Yes, but if the interest on them is lowered the effect would be less.

8617. You want that the rate of interest should be $4\frac{1}{2}$ per cent. ?—Yes.

8618. *The Chairman* : You say that merchants keep cotton for months together and get advances against cotton. Now this capital is locked up for months together. Would it not be possible to have a system of trade bills against this cotton which would be negotiable in the market ?—(*Mr. Sakarlal*) : In this case also they have to take money.

8619. But it will be in circulation ?—These bills will be honoured provided cotton is kept in a licensed warehouse, otherwise not.

8620. Would not these bills to a certain extent relieve the money market ?—Yes ; they would relieve to a certain extent the money market.

8621. *Mr. V. L. Mehta* : For the attraction of larger investors in a place like Ahmedabad, do you think that any further facilities for investment in Government securities are required ?—(*Mr. Patel*) : Except a sound currency policy and easy industrial finance there is no other facility that is required.

8622. You say : “ The use of vernacular scripts in banking would be of assistance to village population.” Are vernacular scripts generally used and accepted by the local branches of the joint stock banks ?—Not all vernaculars are accepted. *Hundis* are accepted.

8623. Are not endorsements in vernacular accepted here ?—We have no such practice here to a very large extent.

8624. You suggest that you derive very little assistance from the joint stock banks ?—Yes. Except by having one's own money, very little assistance is derived by one from them.

8625. But surely are not the rules of joint stock banks less rigid than the rules of the Imperial Bank ?—Still the result has not been very favourable.

8626. With regard to *shroffs* with whom most of the millowners have dealings, are all the *shroffs* local *shroffs*, or have they any dealings in Bombay ?—They are all local *shroffs*. (*Mr. Sakarlal*) : Local *shroffs* have accounts in Bombay.

8627. You said that there is a practice for the Imperial Bank or for other banks to make advances to mills in Bombay against their goods ?—Yes.

8628. You also said that greater facilities were given for imported piece-goods ?—Yes.

8629. Is not this due to the fact that they are warehoused in the Port Trust warehouses and that is why they advance money ?—Even against local goods they advance money in Bombay.

8630. It may be due to the fact that there are better warehousing facilities in Bombay than here ?—No. So far as the mills are concerned, in both places the facilities are the same.

8631. May it not be due to the fact that they are more in touch with the Imperial Bank than yourselves ?—(*Mr. Patel*) : Or perhaps the Bank's point of view here may be different.

8632. Have you occasion yourselves to remit money to Bombay and get money from Bombay, or do you do it only through a bank ?—We have to remit money to Bombay independently.

8633. Do you get all facilities from the local bank ?—We do get facilities through *shroffs*.

8634. Do you think that in the interest of the industry more facilities are required for remittance purposes?—Yes. The working hours of the bank should be changed. The charge for the transmission of funds is very heavy.

8635. Is the Millowners' Association or any other association associated with the Labour Bank started by the Labour Union here?—No, we have no concern with it.

8636. Is it the practice here for the millowners to make advances to wage-earners and make deductions out of their salaries?—(Mr. Sakarlal) : Yes.

8637. Is it the general practice here?—On certain holidays and on certain occasions we give them advances, and deductions are made from their salary. Only 8 days money of theirs remains with the mill.

8638. Is it the practice for your employees to pledge small articles and get money against them?—(Mr. Shantilal) : Yes. Sometimes they do pledge gold articles with *bania* money-lenders and get money. They do borrow from Pathans also.

8639. If some pawn-shops are opened by your Association or by the Labour Union or by some other body, would they be of advantage to your employees?—Yes.

8640. Mr. Kamat : Are there any occasions when your respectable *shroffs* come into touch with bank managers here as a body or individually?—(Mr. Sakarlal) : Not much. (Mr. Shantilal) : The bank managers do not know the *shroffs* individually.

8641. How do they come to know the standing of an individual or of a firm?—(Mr. Sakarlal) : Only through their brokers. But except this there is no touch throughout the year between the *shroffs* and bank managers.

8642. Would you be in favour of registering approved *shroffs* of a respectable standing?—(Mr. Patel) : This would create a kind of dissention between the different classes of *shroffs*. (Mr. Sakarlal) : Are they required to publish their balance sheets if they are registered?

8643. But if they are not compelled to publish their accounts would they agree to be registered?—Yes. Besides they have their own Association and the names of *shroffs* are on the list.

8644. This is for their own Association, but for general information or for the information of banks or Government if they are registered would they be in a position to bring about the touch with the Imperial Bank which you say is not there at present?—(Mr. Shantilal) : To a certain extent it might bring them into touch with the Imperial Bank.

8645. Would mere registration of such approved *shroffs* induce the Imperial Bank to lend out money to such people but under less rigid rules?—(Mr. Sakarlal) : Yes.

8646. If this is so, registration might help you in two or three problems. Firstly, there will be closer touch which you want, secondly, it might bring back the money which goes to the Imperial Bank now; and once the money flows into the pockets of approved *shroffs*, naturally they would lend it on easier terms to petty traders and, therefore, the *shroffs* would form a connecting link. Our problem is how to link them up. Now there is no other link between the Imperial Bank and the traders in the country. In order to bring about this link would registration be the means? Once a link is formed money flows from the Imperial Bank into the hands of *shroffs* and they in their turn can give on easier terms to traders?—Here the bankers are not only bankers but they are traders and commission agents.

8647. If registration of bankers, as you say, is feasible and if it is going to bring them into touch with the managers of the Imperial Bank or other joint stock banks and if other banks are prepared to advance money on easier terms with less formalities I think then you would be in favour of registration?—Yes.

8648. In the 70 mills which you have here what may be the number of mill-hands in all?—(Mr. Patel): About 70,000.

8649. Of these 70,000 mill-hands in Ahmedabad, how many are agriculturist labourers, that is to say, who are still in touch with their lands and come here for a certain number of months and serve and go back?—Practically nil, because after their migration in Ahmedabad they have settled here and some workmen who might have an interest in their villages might be going occasionally. This number is very insignificant.

8650. So some of these workmen go back for a holiday to their village but not for the purpose of doing agriculture?—No.

8651. Do they come to you when they come at all with a load of debt?—We never come into touch with a particular labourer, but we think that they come with a very small quantity of debt, if at all.

8652. On the question of cotton grading, would it not be an advantage to you as millowners if there is a system of grading cotton before it is mixed haphazardly. At present there is no grading officer or a specialist who has the knowledge of grading. You have no specialist in grading when you buy your cotton, with the result that your piece-goods are from mixed cotton?—Government have already fixed up zones in Surat district under the Act. There should be no adulteration by the passing of cotton from one tract into another.

8653. But even in the same tract there might be different grades?—But at the time of purchasing cotton we try to examine it, and if there is any mixture the price is lowered. The price is always dependent upon the quality.

8654. But would not grading and warehousing help your industry?—They would help our industry.

8655. Do you sell your piece-goods outside your presidency?—Yes. We send it up-country, to United Provinces, Calcutta, the Punjab and other places.

8656. What about your remittance facilities from these presidencies other than Bombay?—We get by *hundis* or through banks.

8657. Do they depend upon *shroffs* or do they have recourse to banks?—They depend upon both the *shroff* and the bank. Sometimes we draw a *hundi* and give it to local banks and sometimes we receive *hundis* from them.

8658. Are there any difficulties for remittance in this inter-presidency matter?—No.

8659. Do you send your goods outside India?—No. (Mr. Shantilal): We send to merchants in Bombay and perhaps they might be sending it to places outside India.

8660. So far as mill-owners are concerned, they do not find any difficulty about export or banking facilities in the matter of export?—No.

8661. Do you directly export your goods?—(Mr. Sakarlal): No.

8662. Mr. Desai: You have already told the Chairman that the Imperial Bank plays a negligible part in financing your industry though it receives crores of public money.

The Ahmedabad Millowners' Association.

I want to know your views in whose interest or for whose benefit the Imperial Bank exists ?—(*Mr. Patel*) : It exists for the interest of its shareholders and for the interest of Government and their own selves. (*Mr. Sakarlal*) : It finances in the interest of Government and foreign traders.

8663. You think that it is not performing the function of a central institution ?—Certainly not.

8664. Do you suggest any scheme of a central bank which would function as the central institution of the country ?—(*Mr. Patel*) : It is very difficult to suggest any definite scheme, but we can suggest the idea or describe the deficiency we are experiencing at present, *viz.*, that the bank does not assist to the extent to which it ought to assist the public.

8665. One suggestion has been put before us by you regarding the registration of *shroffs*. I want to know your views whether registration is the only thing required or do you also give your views as to the present mentality of the governing body of the Imperial Bank and whether it should be changed ?—(*Mr. Sakarlal*) : The mentality of the governing body of the Imperial Bank should be changed first.

8666. And should the registration come next ?—Yes.

8667. What is the present mentality of the governing body of the Imperial Bank ?—(*Mr. Patel*) : The very word "Imperial" shows the atmosphere with which it is surrounded.

8668. But as a merchant or as a great industrial magnate can you tell us what is their mentality ?—To keep much aloof from the public cause and utilize the finance that is available to them for such purposes as may be suitable to them and certain interests.

8669. To them means whom ?—To exporters. The Imperial Bank of India and exchange banks are more directly connected with foreign exporters.

8670. And practically you say that the Imperial Bank exists not for the trade of the country but for the interests of the international traders and foreigners. Is it so ?—Certainly so.

8671. And at the same time do you not think that it is an unfair competition when it uses large public balances ?—Certainly so.

8672. Do you think that its rate of interest is the chief thing which prevents the functioning of the Imperial Bank in your industry ?—The chief thing is the Imperial atmosphere, and secondly, it is the rate of interest.

8673. Why is their rate of interest so high compared with the internal rate of interest ?—We think that the rate of interest at present largely depends on the remittances of money from this country to other countries and this is mainly the cause of the rise and fall of interest in India.

8674. But does it depend on the existing conditions of the trade ?—This is a lesser cause.

8675. Well then, do the exchange bank also form the chief cause for this state of affairs ?—It is at the root of the whole evil.

8676. Assume it for a moment that if the management of the Imperial Bank is handed over to Indians, do you not think that it would increase the business relations with the industry and the general public ?—The ideal would be changed. The angle of vision would be definitely so altered in the interests of the internal trade of the country that they would come into more touch with the local public and industries.

8677. So the industry would thrive, is it not so?—Yes, and subsequently the bank also.

8678. What are your views regarding the administration charges of the branch of the Imperial Bank here?—They are too heavy.

8679. And if the management would be Indianised would the charges be reduced?—These would be reduced to a considerable extent.

8680. A question has been put to you by the Chairman regarding trade bills. I put it to you that on the continent a trade bill is only meant to inform a bank that A is exporting so many bales of piece-goods to Bombay and that he is drawing a bill against those goods. Do you not think that if this kind of trade bills are revived in India, they will be helpful to your industry?—Yes.

8681. *Mr. Desai*: In foreign countries the system is this that the manufacturer has only to inform the banker that he is manufacturing such and such goods and he would export it to such and such a party and against those goods he wants to draw certain amount of trade bill. If such a kind of trade bill were introduced in this country, do you not think that it would be useful to your industry?—Yes.

8682. But will you say when would it be introduced and under what condition would it be introduced?—It depends upon the nature of the recommendations of your Committee.

8683. *The Chairman*: What is the difficulty at present?—At present the banks would not come forward to work on such lines.

8684. *Mr. Desai*: And at the same time they are not in close touch with their constituents, are they?—They are not in close touch with their constituents particularly because they are foreigners.

8685. From the reply you have given, the chief part is played by indigenous bankers in financing your industry, is it so?—Yes. (*Mr. Shantilal*): Practically the whole part has been played by indigenous bankers except the current account.

8686. Current account is no credit facility?—No. Credit facility is all with *shroffs* whereas the Imperial Bank does not pay interest on current account and even if it pays in any case it is only a negligible percentage.

8687. Do you, therefore, say that the indigenous bankers play the chief part in financing your industry?—(*Mr. Shantilal*): Yes; especially it is so in Ahmedabad.

8688. And if the supply of funds with *shroffs* would be increased, do you not think that it would help your industry?—(*Mr. Patel*): The money could be percolated through all the veins of the industry.

8689. *The Chairman*: In reply to a question put by Mr. Desai, you said that the kind of trade bills he mentioned are not in use because the management of the Imperial Bank is foreign; but could not this business be done also by Indian joint stock banks?—(*Mr. Patel*): Yes, it could be done.

8690. Why are they not doing it?—Once when a system is not started by a bigger bank a smaller bank might be afraid of taking to it. We do not know exactly the reason. (*Mr. Shantilal*): The Imperial Bank being a national bank should start first and give the lead.

The Ahmedabad Millowners' Association.

8691. But if such a business is profitable there is no reason why an Indian joint stock bank should not take to it?—It will not be very profitable. There will be some risk in the initial stages.

8692. Do you not think that it is the main reason and not the reason given by you that the management is foreign?—Management has its effect, but ways could be found out to overcome the risks.

8693. *Mr. V. L. Mehta* : You say that it is the practice for the mills here to accept deposits and the *shroffs* also accept deposits. Is there no competition between the two?—No. The rates are practically the same.

8694. *The Chairman* : Has the amount of deposits with mills increased or decreased during these years?—It is increasing because the size of the mills is also increasing.

8695. So the postal cash certificates do not come in their way?—No. (*Mr. Sakarlal*) : Had there not been postal cash certificates, still more money would be coming. (*Mr. Shantilal*) : These are big deposits.

8696. Are your mills' deposits generally big deposits?—(*Mr. Shantilal*) : Yes. We do not accept a sum less than Rs. 1,000 as a minimum.

(The witnesses withdrew).

PANCHKUVA CLOTH MERCHANTS' ASSOCIATION, Ahmedabad.

(Summary of Written Evidence in Gujarati.)

We deal with piecegoods merchants and do not, therefore, come in direct contact with the agriculturists.

The *sowcars* charge from 4½ per cent. to 6 per cent. interest. The banks deal with the *sowcars*, but their relations with them are not such as between *sowcar* and *sowcar*.

The regulations under which the Imperial Bank does business should be altered so as to encourage merchants to avail themselves of the facilities offered. In every district the regulations of banks should be brought to the notice of the people in their vernacular.

The rise in the bank rate during the season causes much hardship. There should, therefore, be a fixed rate of interest.

Oral Evidence.

Mr. PUNJABHAI DIPCHAND, Representative of the Panchkuva Cloth Association, Ahmedabad.

8697. *The Chairman* : Mr. Pujabhai, you are the representative of the Panchkuva Cloth Association, Ahmedabad?—Yes.

8698. Do you buy cloth directly from the mills?—Yes.

8699. Do you have retail business here, or do you sell the cloth to outsiders?—Both retail to local merchants and to outsiders.

8700. Have you members from outside also?—No. But merchants who come from outside buy only here from us.

8701. Are you wholesale merchants?—Yes. We do not sell cloth to ordinary customers here.

8702. Do you sell to individual customers?—No.

8703. You buy from the mills here as well as from outside?—There are members in our Association who are English cloth merchants and they buy from outside.

8704. When you buy goods from the mills do you pay them cash at once?—No. We get credit for 12 days.

8705. Do your members trade on their own capital or do they have to borrow from outside also?—They trade partly on their own and partly from outside.

8706. Who are your financiers?—*Shroffs*.

8707. Do you have any dealings with banks?—No, not generally; but sometimes merchants borrow from them.

8708. Do they borrow from the Imperial Bank?—No.

8709. Have you no dealings with the Imperial Bank?—No; but with other local banks, for instance, the Bank of Baroda and the Bank of India, we have dealings.

8710. Do some people deal with *shroffs* as well as with these banks?—Many of the people are dealing with *shroffs*. Some people deal with the banks as well as with *shroffs*, but such number is very small.

8711. Are bank terms more favourable than those of *shroffs*?—No.

8712. Then why do they go to banks?—People who have no credit go to banks.

8713. So men with credit go to *shroffs*?—Yes.

8714. Do not the banks take security?—Yes. But the *shroffs* do not ask for any security.

8715. At what rate do you borrow from *shroffs*?—At 6 per cent.

8716. Is the rate fixed throughout the year?—Yes.

8717. When you deposit money with them, what interest do they pay you?—They pay between 4½ to 6 per cent. on the *khata*.

8718. When you sell to people outside, do you get money at once?—No. We get money from them at an interval of 15 days or one month, and some pay after two months.

8719. How do you get the money?—By *hundis*.

8720. Are *hundis* drawn here by the local merchants upon the purchaser?—Yes.

8721. Is there at any time any difficulty for you to get finance?—Sometimes there is difficulty of finance.

8722. Is it when the market is tight?—Yes. For the last two or three years the market has been very tight and we have some difficulties about finance.

8723. Is this because the *shroffs* have not sufficient funds? What do you mean when you say "the market is very tight"?—They also come into difficulties for funds sometimes because of their capital having been invested in other business.

8724. Do *shroffs* invest their capital in other business?—Yes. The *shroffs* start new mills. Some of them are also millowners.

8725. Have your members ever tried to get finance from the Imperial Bank or from joint stock banks and have not got it?—The Imperial Bank here do not deal with the local merchants generally.

Panchkua Cloth Merchants' Association.

8726. Have they ever tried to borrow from the Imperial Bank?—They know that the Imperial Bank will not lend them.

8727. Do you know of any instances where these merchants approached the Imperial Bank and the Bank refused to lend them?—No; I do not know of any instance.

8728. The Imperial Bank wants sureties; is it not one of the reasons why merchants do not go to the Imperial Bank?—Yes.

8729. Have any of you tried to get money on the security of cloth from the Imperial Bank?—Not to my knowledge.

8730. How can these difficulties that you experience at present be removed? Have you any suggestions to make?—If banks give on personal credit without insisting on sureties, the difficulties will be removed.

8731. Supposing the Imperial Bank undertakes to finance merchants, will its rate of interest suit them?—No.

8732. And amongst *shroffs* there are some who, you say, are investing their money in other business as well?—Yes. Many *shroffs* are mill agents.

8733. These millowners can raise money from the Imperial Bank, can they not?—Yes.

8734. As regards the outsiders to whom you sell your cloth, do you find any difficulty about recovery of your money?—Not much.

8735. Are their *hundis* always honoured?—Yes. Sometimes we get money also after two or three months from them, and in that case we charge interest. We have our Association, and if our Association finds that an outsider has failed to pay the amount, then no member from our Association will deal with such a person.

8736. *Mr. Kamal*: Has the rate of interest gone up since the last three or four years?—Yes.

8737. Has the price of cloth also gone up?—No; it has not gone so high as the rate of interest.

8738. Can you give some idea as to the price of cloth now and of three years ago per lb.?—Some three years ago it was Re. 1 per lb. and now it is 13 or 13½ annas per lb.

8739. I wanted to know whether retail cloth merchants are passing on this high rate of interest to the consumer?—This is not true.

8740. Do you mean to say that they are paying out of their profits?—Yes.

8741. *Mr. Desai*: Who are your financiers?—We are dealing with *shroffs* as well as with banks.

8742. Do you deposit your money in Banks?—Yes.

8743. Do they lend you on personal credit?—The *shroffs* give on personal credit.

8744. Do you not think that if the resources with *shroffs* are increased, the trade will be benefited and the country will also be benefited?—Certainly so. If banks lend us as *shroffs* do, we can do more business. In that case we can also lend to dealers and merchants on easier terms.

8745. *Mr. V. L. Mehta*: You say that the *soucar* charges from 4½ per cent. to 6 per cent. interest. Would it show that he has more money in his hands?—Here if people borrow at more than 6 per cent. they would lose their credit and reputation.

8746. For how many months do you give cloth on credit to *mofussil* merchants?—We give on credit up to six months.

8747. Is any difficulty experienced by them in remitting money?—They must be experiencing some difficulties in remitting money. I think they give As. 3 to As. 8 per cent. for getting *hundis* through *shroffs*.

8748. Can the *mofussil* trade increase by the system of *mudati hundis*?—No. The merchants do not care for such *hundis*. They only understand the *khata* system. Only *darshani hundis* are acceptable.

8749. When you deal with banks, is any difficulty experienced as regards the vernacular endorsement?—No. We send our cheques in vernacular to the Central Bank as well as to the Bank of India.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Saturday, the 30th November 1929.

Saturday, November 30th, 1929.

AHMEDABAD.

PRESENT :

Mr. J. A. MADAN, C.I.E. I.C.S. (*Chairman*).

Mr. H. V. DESAI.

Mr. B. S. KAMAT.

Professor V. G. KALE.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Principal G. FINDLAY SHIRRAS, M.A., Gujarat College, Ahmedabad.

MEMORANDUM.

1. The first point that I want to make is that there is a large absorption of gold and silver which are not used for productive purposes. This is largely due to social customs and to lack of credit facilities. Given sufficient credit facilities of the right type we should be able to use a large amount of this gold as a basis of credit. The new branches of the Imperial Bank have collected in five years over 8 crores of deposits (Q. 9650 Hilton Young Commission, evidence by Sir Norman Murray). The following table gives the net imports of gold and silver on private account :—

Net imports of gold and silver on private account.

Year	Gold (crores)	Silver (crores)	Total (crores)	Total £ million*	Percentage of import of gold to world pro- duction of gold
1	2	3	4	5	6
1919-20	11	..	11	11	14·6
1920-21	9	8	— 1	— 0·9	— 11·6
1921-22	3	15	12	1·8	— 3·0
1922-23	41	18	59	40	41·5
1923-24	29	19	48	32	26·6
1924-25	74	20	94	69	66·6
1925-26	35	17	52	39	32·1
1926-27	19	20	39	30	19·5
1927-28	18	14	32	24	15·8
1928-29	21	13	34	23	18·3
(Average for last ten years).	23·6	14·4	38·0	27·5	22·0

* Converted at the average rate of exchange of the year = net export.

During the last decade the net imports of gold were 20 per cent. and in 1924-25 as much as 66 per cent. of the world's production. Among the middle classes the father of the bridegroom has to give the bride ornaments, the greater part of which is of gold. In Gujarat, for example, a middle class gentleman will give his daughter-in-law at marriage ornaments worth Rs. 600 to Rs. 1,000 or often a year or a year and a half's salary. In some villages of Gujarat and Kathiawar the value of these ornaments sometimes exceeds Rs. 2,000. The father of the bride also gives his daughter for her own use ornaments of gold and silver worth Rs. 200 to Rs. 300. If a man saves, he will in addition buy gold bullion. In the case of lower castes a man earning, say, Rs. 15 to Rs. 20 per mensem will have gold and silver ornaments. My peon or messenger earning Rs. 19 per mensem has gold ornaments worth Rs. 40 to Rs. 50 and silver ornaments worth Rs. 60 to Rs. 100. When his son marries he will have to give ornaments worth Rs. 100 to Rs. 150. My other peon earning Rs. 16 per mensem who has also land has gold ornaments worth Rs. 500. When his son marries he will give his daughter-in-law as is customary for a man in his position in the caste 12 tolas of gold and 20 tolas of silver costing over Rs. 300.

2. THE FINANCING OF INTERNAL TRADE.—India's internal trade is mainly financed by *shroffs*. Illiterate persons find it more convenient to go to a *shroff* than to a bank and will be accommodated when a joint stock bank could not undertake the business. The funds of joint stock banks are not generally employed locally and they act as feeders of their head offices. The process of establishment of some connexion between the *shroff* and the banks has already begun at places where there are already banking facilities. Formerly the *shroff* used to keep himself aloof from the banks and used to look upon the joint stock banks as his rivals. Of late he has begun to realise in what ways the banks can help his business. He is now already placing his surplus cash with the banks during slack seasons and in busy seasons he obtains advances from the banks on personal security or on the security of commercial bills which the banks find acceptable. The expansion of banking will succeed in reducing the *shroff's* rates whenever he is extortionate. His business at the same time will not suffer much as his chief assets are (1) an element of risk which he is known to take in doing business and (2) a personal knowledge of his clients, which enables him to take these risks. A joint stock banker working under various restrictions cannot and should not take risks. A joint stock banker, for instance, does not always find acceptable a commercial bill drawn by a private trader, but when such a bill is endorsed by a *shroff* it may be accepted. The *shroffs* themselves will improve their position by forming associations and becoming less conservative in their methods of work. In the villages where the *shroffs'* rates are reported to be unjustifiable (sometimes ranging between 12 to 24 per cent.) the Co-operative Movement is doing good service in supplying cheap credit to the farmers, and in reducing these rates, but in Gujarat co-operation does not seem to make the progress that one would like to see.

3. THE IMPERIAL BANK.—Although the Imperial Bank of India is performing some of the functions of a central banking character, its make up and its business are essentially those of a joint stock bank. At present (and I hope always) it must be the medium through which the joint stock banking organisation can be extended. It would be difficult to replace its unique experience in the policy of branch banking.

It is necessary here to consider a few of the allegations made against the Imperial Bank. It is said that Indian joint stock banks have to work under heavy and unfair

competition of the Imperial Bank. Replying to these allegations Sir Norman Murray said :—

“ Since the Imperial Bank came into existence we have received one complaint from an Indian joint stock bank and that came to us through the Government of India. Their main grievances were that we opened up at places where they had already broken ground and opened up branches, and we were in a better position to secure business because of the facilities of free money which we enjoyed from the Government of India and because of the facilities for transfer of money from one branch where there is a treasury to another branch where there is a treasury. I have a certain amount of sympathy with that particular bank because they did useful pioneer work, and for some time enjoyed a monopoly of business at the branches which they had opened, and they naturally did not welcome us when we went there ; but our going there was a part of a larger policy, the policy of opening a hundred new branches, and those branches which we did open were with one exception treasury branches and it was important for our policy to take over the treasury work from Government in these places. It is quite true that we are competing with them there, but, at the same time, we are competing on very fair terms, and if we can give facilities to the public which they cannot give to the public, I think it is so much the better for the public* ”.

It is also complained that the Imperial Bank sometimes discriminates between Indians and Europeans in the matter of granting facilities. The following table submitted by Sir Norman to the Hilton-Young Commission shows the true state of affairs :—

Advances to purely industrial concerns.

—		Indian.	European.	Total.
		lakhs.	lakhs.	lakhs.
Bengal	.. ..	3·74	5·74	9·48
Bombay	.. ..	8·50	·65	9·15
Madras	.. ..	·90	1·31	2·21
		13·14	7·70	20·84
Indian—63 per cent. of the Total..				

7th February 1925.

4. BANKING LEGISLATION.—Before making any special legislation for banks it is necessary to define a bank, so that various concerns having only a side show of lending money may not claim special protection under banking legislation. The following definition is accepted in America by an Act of the Congress :—

“ every person, firm, or company having a place of business where credits are opened by the deposit or collection of money or currency, subject to be paid or remitted upon draft, cheque, or order, or where money is advanced or loaned on stocks, bonds, bullion, bills of exchange, or promissory notes, or where stocks, bonds, bullion, bills of exchange, or promissory notes are received for discount or sale.”

The following are a few suggestions about Indian banking legislation of the future* :—

“(1) the restriction of the term “bank” to banks proper ; (2) the advantage of having, as in the Canadian system, a minimum paid up capital before the bank opens its doors to do business ; and (3) restrictions by law in the granting of loans and discounting paper. Legislation seems also required in connection with the investments of banks. Some banks invest too largely in real estate, and even in unsound securities. If a run took place these could not be quickly realised, and if realisable, only at a very considerable loss. This might, it is true, be remedied by the statutory regulation of the cash balances, but this is an exceedingly difficult question, since different localities work under different conditions. A percentage fixed for all banks alike might afford no real protection, since it might be too low, or, on the other hand, so high as to interfere seriously with the accommodation which the banks give to their customers. The failures of 1913 also showed the necessity of limiting the amount of the paper of any one man which a bank should be permitted to discount, the limitation in the number of shares of the bank and advances which may be made to any single person. We have already referred to the demand for trained men. Just as trained teachers are of the first importance to Indian education at the present time, so are trained officers in sufficient numbers to Indian banking. There is, too, the advantage of public inspection. It would be well to take a leaf out of American banking legislation and to arrange for monthly or quarterly reports to the Controller of the Currency or a similar officer with the Government of India. The Federal Reserve Act provided that the Reserve Board shall examine Federal Reserve Banks and member banks. The Comptroller of the Currency at Washington, with the approval of the Secretary of the Treasury, must appoint examiners to examine each National bank at least twice in each year. The State banks must be subject to examination by the Federal Reserve Board, and when admitted to membership must make reports to the Federal Reserve Bank of their condition and of payments of dividends not less than once a quarter. Publicity is not merely a precaution against unsound banking, but it is helpful to the banks, as it obtains public confidence. The Presidency banks publish a statement weekly. Most of the other banks also furnish annually to the Department of Statistics a return, but there is no monthly or quarterly return prescribed by law. The Bank of England, the Bank of France, and the Reichsbank publish weekly reports. Special inspection is sometimes rendered unnecessary as in the Bank of France, where the Ministry appoint the governor and the two sub-governors. It would be well if banks in India were compelled to return to Government and to publish monthly a balance sheet somewhat in the following form. The items are tentative, but they elucidate most of the mysteries that require to be known.

Proposed monthly statements to be published by banks in India—

<i>Liabilities.</i>			<i>Assets.</i>		
	Rs.	a. p.		Rs.	a. p.
Capital—			Cash—		
Authorised	1. In hand .. ..	..	..
Subscribed	2. With Presidency banks ..	..	..
Paid up			

* *Indian Finance and Banking* ; MacMillan & Co.

<i>Liabilities.</i>	Rs. a. p.	<i>Assets.</i>	Rs. a. p.
Reserve		Bullion	
Current deposit and other accounts		Loans at call and short notice	
Acceptances on behalf of customers		Investments—	
Guarantees, endorsement and other obligations ..		1. Securities of, or guaranteed by, the Government of India ..	
		2. Securities of British and Colonial Governments ..	
		3. Other investments ..	
		Bills discounted—	
		1. Foreign bills of exchange.	
		2. Inland bills (<i>hundis</i> , cheques, etc.) ..	
		Loans and advances ..	
		Bank premises	
		Other assets	
		Liabilities of customers for acceptances as per contra.	
		Liabilities of customers for guarantees, endorsements, and other obligations as per contra ..	

5. **BANKING EDUCATION.**—As for banking education there are not sufficient facilities. The Indian Institute of Bankers has made a good start in this direction by conducting examinations in banking. The first Associate Examination was held in April last and was conducted at 19 centres throughout India and Burma. Eighty-nine candidates appeared for various subjects. The results show that 47 per cent. were successful, one candidate obtaining distinction.

6. **SOME SUGGESTIONS.**—We add here four suggestions for the expansion of credit facilities in India. In the first place, education, especially primary education, must be far more widespread and accessible. Secondly, a co-ordinated system of banking must be effectively introduced, with a strong Central Bank at the head worked on sound lines, after the exhaustive enquiry now being undertaken into banking and credit facilities has been completed. Thirdly, a continuous all-India investment movement similar to the savings movements in other countries will have to be undertaken in the half million villages and towns in British India and, if practicable, in the 188,000 villages and towns in Indian States. The movement must be a living and growing one. Fourthly, organised effort must be undertaken to soothe communal and racial antipathies and to alleviate unrest of every kind. In all these the Government have to do much. In fact, the responsibility as well as the initiative will be theirs. In a country like India the strong power of Government is required to bring about economic advancement and non-official support will be required

at every turn. It is evident that co-operation on the official side rests on a recognition of Indian opinion on the non-official side on a recognition that the Government has only one end in view—the well-being and progress of the country. Things are moving quickly in India to-day. If an Act to prevent child marriage has been recently placed on the statute book, in spite of rigidity of custom in some quarters, there is no reason why the accumulation of gold and silver, next to that in the richest country of the world, the United States, should be any longer permitted to lie sterile. A special appeal for united action is vitally necessary in spite of poverty in teachers, our ignorance of what we should do, our social fabric, and our internecine quarrels. In education it seems as if we were committed to a complete overhauling of policy. The written word is shut out from nine-tenths of the population as only 8·2 per cent. were literate at the last census, and the test of literacy is the ability to read or write a letter or post card in any language. Of 163 million males in British India 143 millions were illiterate, and of 154 million females no less than 151 millions were illiterate. Only 2·5 millions out of 318 millions were literate in English. A nation cannot be on a level for long above the level of its women. Should it rise under the stimulus of a great moral idea (for example Islam in Arabia) to a higher plane of thought and life, it cannot long maintain itself on that plane unless its women rise to it and kindle similar ideas in the young minds of succeeding generations.

Oral Evidence.

8750. *The Chairman* : Mr. Findlay Shirras, you are now the Principal of the Gujerat College ?—Yes.

8751. Coming to your first point where you refer to the amount of gold and silver, which has been imported on private account, I presume these figures refer to the whole of India ?—Yes.

8752. Are any figures available for the Presidency proper ?—Not for absorption. When I was the Director of Statistics to the Government of India, we used to have these returns, but now, as you know, the Inland Trade Returns have been discontinued for financial reasons.

8753. Are they not very important ? The Agricultural Commission recommended that these returns should be revived ?—They are most important, but they have not carried out the recommendations of the Royal Agricultural Commission.

8754. As regards this absorption of gold, we have been told during our enquiry that it has been much less during the last five or ten years so far as this Presidency is concerned than before, and secondly, that there is now less tendency to hoard ?—So far as the statistics go, that is certainly not altogether the case. 1924-25 and 1925-26 were exceptional years, and there was a large import of gold on account of cheapness of gold. Families who had daughters to marry bought a lot of gold during these years, because they found that gold was cheap. Much gold is used in this country for social customs. It is a store of value, and the people follow the old system. It is most uneconomic, because the figures show that the sum of 27½ millions sterling a year has been dug up in one part of the world and buried in another part. If it had been used productively for trade, it would have repaid the whole external debt in 12 years.

8755. Do you agree with the view that there has been recently a tendency not to hoard gold to the same extent as it was before ?—It has diminished to a small extent in the last year or two but not over long periods.

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8756. In paragraph 1 of your statement, you say : " Given sufficient credit facilities of the right type, we should be able to use a large amount of this gold as a basis of credit." Do you refer to banking facilities ?—Banking facilities especially. For example, at present there are in India a large number of towns, which have no banking institution. There are approximately 500 towns in India with a population of over ten thousand, which enjoy no banking facility at all. In the United Kingdom, for example, there are 13,000 bank offices.

8757. So far as the Imperial Bank and the joint stock banks are concerned, do they not find that the opening of branches in these places is not a paying proposition for them ?—The statement of Sir Norman Murray before the Royal Commission on Currency shows that the number of new branches working at a profit was 32, and 56 branches were working at a loss.

8758. That is in the case of the Imperial Bank branches in big towns. If it is a question for small towns with a population of, say, ten thousand, what sort of banks do you think could be opened there ?—That is a question for co-operative banking.

8759. There are two proposals before us, *viz.*, that there should be a co-operative urban bank, or some indigenous bankers should be appointed agents of the Imperial Bank, as it is not possible for the Imperial Bank to open branches in small towns. What do you think of these proposals ?—The latter suggestion is a very good suggestion if you can get some changes made in the *hundi* business. I would like to see in the first place the standardisation of all *hundis*. The *hundi* system at present is very useful in the banking system of India, and it is possible to strengthen Indian banking if we use the present indigenous system and modify it.

8760. Have you any definite suggestions to make ?—The suggestions I would like to put forward are the suggestions put forward by other persons like Sir Henry Strakosch. While discussing Mr. Gubbay's paper, Sir Henry Strakosch said : " Mr. Gubbay appears to be doubtful as to how a central banking system, such as is recommended by the Royal Commission, can be super-imposed on the existing indigenous banking system in India. His doubts seem to be based mainly on two considerations : First, the absence in native banking of securities of a character acceptable to an ordinary joint stock bank or to the contemplated Reserve Bank of India ; secondly, the difficulty of establishing that touch between the joint stock banks and the native traders, which is necessary if the business of the latter is to be brought into the ambit of the general banking machinery of the country working under the control of a central bank. On the first point, that is, the absence of a security suitable to the joint stock bank or the central bank, I think, Mr. Gubbay is labouring under a misapprehension. He seems to be under the impression that for a bill of exchange to become eligible for discount as a true commercial bill, it is indispensable that it should be supported by documentary evidence in the form of sale contracts, invoices or documents of title of the goods in respect of which the bill has been drawn." He goes on to say that on the continent of Europe and in England it is not necessary to have the documents of title, etc., to the bills. The *hundi* system with a little standardisation might become of great value in the banking system of India. The *hundis* might be in two languages. I frequently discussed this matter with exchange bankers in Bombay, and they said that as *hundis* are to-day, they are so dangerous that they cannot touch them, and they would take a lot of their time in dealing with this business.

8761. What is wrong with the present form ? The form, so far as we know, has existed in India for ages ?—One thing about the *hundi* is that you cannot say whether it has a real commercial transaction behind it or not, or whether it is a sight *hundi*.

8762. Most of the *hundis* at present are sight *hundis*. There are very few of what are called trade bills?—Yes. I have seen in the Central Bank of India various forms that are drawn there. They are going ahead in strengthening the system. I would like to quote what Sir Strakosch said. He said: “I confess that Mr. Gubbay’s paper is, to my mind, if anything, more optimistic than I was regarding the possibility of establishing a broad money market in India and through it of establishing a strong link with the joint stock banks and the Reserve Bank of India. I naturally realise that it would take thought, goodwill on the part of joint stock banks, labour and time, to establish it on sufficiently broader basis to enable the Central Bank to make its policy felt widely and rapidly. But even if India were less fortunate—as many other countries have been, which have established the central banking system—in not possessing so valuable a nucleus for a money market, every effort would have to be made to establish one. I am optimistic only to think that if a thing is worth attaining, human ingenuity usually conquers the difficulty and attains it. It will be attained when the ethics of sound modern banking will have penetrated into the *bazars*. Self-interest will make that penetration an easy one. If India is to expand her banking organisation—and there is a clear concensus of opinion that she must do so, if her vast resources are to be adequately exploited—two things are essential: the establishment of a true central bank and of a money market. To attempt to expand the banking organisation without these would be positively dangerous.”

8763. Besides the standardisation of the form of *hundis*, do you think there are other ways in which indigenous banking might be made to conform with the modern requirements of the country?—That raises many important questions. For example, the essential of a good banking system is that you have a fair general banking education. Secondly, you must get people to realise the advantages of investments. The history of banking in our country shows that people prefer to hoard their money in gold. There should be something like the savings committees in other countries to teach people to save and invest.

8764. It has been suggested that if the indigenous bankers are to do this kind of work, their business will have to be regulated. For instance, they will have to publish their accounts and their accounts will have to be audited by Government auditors. At present they are very keen on secrecy. Do you think the indigenous bankers would agree to this?—There, of course, you will have great difficulties. I know in Calcutta *marwaris* would not like their own sons to know what they do. When the father dies, the son is shown the books. I think the time has come when we will have to regulate banks. We will have to define what a bank is; we will have to define what really banking work they can undertake, and they will have to get their accounts audited.

8765. You say in the first paragraph of your statement that the new branches of the Imperial Bank have collected in five years over eight crores of deposits. The general complaint before us is that the Imperial Bank as well as the joint stock banks, which collect deposits in *mofussil* places, simply tap the capital in the *mofussil*, and take away the money to the provincial headquarters draining this capital, which would have otherwise been available for the trade of the district. Do you agree with that contention?—I agree with that in this way that it is not that the banks do not want to do it, but that they cannot lend the money, because people have not the security which the joint stock bank would accept.

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8766. The indigenous bankers here say that since the banks have begun to open branches and since on the other hand Government has been taking away money through postal cash certificates and savings banks, the amount which used to be deposited with indigenous bankers has been considerably diminished, with the result that trade and industry which were financed by them cannot now be financed by the Imperial Bank or the joint stock bank?—Is it not a case for the indigenous banker to change his method in order to fit in with the modern banking system? The statistics of postal cash certificates are so small comparatively speaking with the total transactions in trade that this cannot be said to be the case.

8767. Do you agree with the contention that the districts are being depleted of their capital?—I have no statistics to prove that. But there have been very great advantages from the opening of banks here.

8768. We were told that these joint stock banks do very little for financing industries, and that most of the industries are financed by indigenous bankers?—Most of the mills here take deposits, and they are also to some extent indirectly financed by the Imperial Bank.

8769. They said that even on the security of cloth on which the banks advance in Bombay, they are unable to get advances here?—So far as the Imperial Bank Act goes, they can, of course, advance. Whether they do it here or not, I cannot say. I believe the millowners are very conservative and are unwilling to comply with the Imperial Bank's requirements.

8770. About the financing of internal trade, you say that illiterate people find it more convenient to go to *shroffs* than to a bank; but many of the literate people also go to the *shroffs*?—Yes, they do.

8771. You say that funds of joint stock banks are not generally employed locally. What is it due to?—They will not advance money on personal security or on property; they are not in a position to do that, because the joint stock banks have to look to the liquidity of assets.

8772. In paragraph 2 of your statement, you say: "The expansion of banking will succeed in reducing the *shroffs* rates whenever he is extortionate". There are village money-lenders and indigenous *shroffs* in the town. Is it not a fact that the rate of interest of the indigenous *shroff* in the town is sometimes lower than the rate charged by the joint stock bank?—That is true; but you will find that the *bazar* bill rate is about two per cent. above the bank rate of *hundi*s.

8773. Are you referring to *hundi* rates?—Yes, bill rates.

8774. That is one of the grievances of the *shroffs* that the Imperial Bank's *hundi* rate is very low, and that it competes with them, and their business in *hundi* has diminished?—I find that in Madras too it is two per cent. above the bank rate. Of course, the rate of interest is not pure interest, but there is also "risk" interest.

8775. You suggest that the *shroffs* should form themselves into an association. Is it for doing business jointly, or is it for regulating their business?—For common interests, so that it is much easier for joint stock banks to work with them.

8776. Referring to the paragraph 3 of your statement about the Imperial Bank, the main contention of the other bankers including the joint stock banks has been that owing to the facilities which the Imperial Bank gets from Government and to the prestige it has because it is a bankers' bank and also a banker of Government, it is impossible for either the joint stock banks or the indigenous bankers to compete with it, and consequently even when branches of the joint stock banks have been started where there are

branches of the Imperial Bank, the branches of joint stock banks cannot work at a profit. The public, as you say, do get facilities. Do they get facilities because of the privileges which the Imperial Bank has?—May I just read some questions put to Sir Norman Murray by the Hilton-Young Commission?

“QUESTION 9715. Have you been able to meet the contention as regards the greater facilities for transfer enjoyed by the Imperial Bank?—We have now made an arrangement, under which we supply banks at places where we are working and at which they are working with the transfer of funds at $1/32$ per cent. between places at which there are district treasuries.

“QUESTION 9716. What about the banks' contention that you are getting the Government balances free and getting a pull?—That is a very misleading contention, because they do not take into account the fact that we are doing a very great deal of work for Government, and though we pay no interest on those balances we are paying very heavy charges on the conduct of treasury work and doing a very great deal of work.

“QUESTION 9717. In general would you contend that although the competition may not be liked by another bank it is a good thing for the public?—It is a good thing for the public, I think.”

That is the view of the Governor of the Imperial Bank, Sir Norman Murray.

8777. What is your experience about banks in other countries? Does the Central Bank or the bankers' bank also do the work of an ordinary joint stock bank and compete with other banks?—The Bank of France, for example, does a lot of ordinary business. In this connection, I would like to submit the paper, which I wrote in the Economic Journal of December 1928. It certainly has a great advantage in the banking system, where you have a strong Central Bank for rediscounting purposes, for holding of gold, an apex of your credit system, which strengthens the system from the beginning to the end.

8778. That is the advantage of having a Central Bank. But the point is whether the Central Bank should also do the work of an ordinary joint stock bank?—I certainly would keep it out of that in the Indian banking system, and if it did get deposits, it certainly should not be allowed to pay interest on such deposits. The Indian Reserve Bank Bill as finally drafted provided that the Bank should accept deposits only from the Secretary of State in Council, the Governor General in Council, Local Governments, banks and other persons, but no interest should be paid on such deposits. According to the Federal Reserve Act non-interest-bearing deposits from private persons also are forbidden. The principle underlying these provisions is that a Central Bank should act as a banker to the member banks but should not compete with them.

8779. In paragraph 6 of your statement you make some suggestions. One of your suggestions is that a co-ordinated system of banking must be effectively introduced. The question is how to bring in the indigenous banker into the general banking system? One way, as you have suggested, is to have the *hundis* standardised. Have you any other suggestions to make?—Yes, there should be standardisation of *hundis*, and then we want a change on the part of the indigenous banking system itself by utilising the brains of our colleges, which we are not utilising at present. The *shroff* should employ our graduates in economics.

Principal G. Findlay Shirras.

8780. Your other suggestion is that there should be an All-India Investment Movement similar to the savings movement in other countries. Are you thinking about the National Savings Associations in England?—Yes, that is what I suggest; but you will have to go slowly, and you will have to make your investments such that the villager does not get much less than he ought to, such as the fluctuations of Government securities. My article in the *British Economic Journal* of December 1929 should be read in this connection. I shall be glad to send a copy of it to the Committee when copies are received.

8781. Do they not invest in postal savings banks and postal cash certificates, in Great Britain where there is no question of depreciation?—There is a savings bank in Aberdeen, which is just typical of the work they have been doing there. A good example of this may be taken from the report of the Trustee, Savings Bank of this city, at the end of the last year, which shows the value of banking in Scotland. Out of deposits in the Investment Department aggregating £2,300,000, the Bank held loans of the different Local Authorities in Aberdeenshire totalling more than £1,600,000. This is in contrast to what Sir Stanley Reed told the Committee on Indian Currency in 1919, when he said: "If I might go into a little detail, I would like to say that I was talking to the Chief Minister of one of the important cotton States in India, and he told me he could take me, in his small capital town, into a score of houses, in not one of which would there be less than from two thousand to three thousand coined rupees. There is in that town absolutely no bank, no credit institution, no stable credit organisation in which one of these men can put one of his rupees. In a single town district in the Bombay Presidency in 1917 an additional four crores of rupees was moved in order to finance the cotton crop, and in that district there was no branch of a bank."

8782. So far as tapping these small amounts in villages is concerned, would you suggest the extension of the postal savings banks system?—Yes, but here again I would refer to my recent article on "Gold and British Capital in India" and my suggestions for developing our banking system in villages.

8783. *Professor Kale*: With regard to the figures of imports of gold on private account given in your statement, the average import for the last ten years is about one-fifth or one-sixth of the total production of gold?—Yes.

8784. Is it also not true that the Indian population is about one-eighth or one-sixth of the total population of the world?—Yes, that is so.

8785. If India is entitled to take one-sixth of the total supply of gold, is it not due to the fact that the population of India is also one-sixth of the total population of the world?—It is not that so much but it is the purpose for which gold is used that matters.

8786. Is not gold used in fine arts in very large quantities in other countries?—Yes. I refer you to my paper in the *Economic Journal* on "The future of Gold and Indian Currency Reform" where I show that at the end of 1924 monetary gold was 53 per cent. of the total, gold for the arts in Europe and America 31 per cent., India's absorption 14 per cent. and the absorption of China and Egypt 2 per cent.

8787. Are you referring to the paper by Professor Keynes?—No, but to my own paper published in the *Economic Journal* for June 1927 which is edited by Mr. Keynes and Professor Macgregor.

8788. I should like to ask you whether it is not natural that with a population of 33 crores the Indian imports of gold should be about 12 annas per head per year?—Per capita figures are always misleading, but the exact of per capita gold absorption for

the last ten years works out at 14·8 annas per head. What I am trying to bring home is that so much of this gold is used for unproductive purposes. For example, a high political officer in a large Indian State writing in July 1923 said that the rulers' private hoard in coin and bullion was more than 10 crores of rupees. The ruler had his jewellery valued privately on his accession, and its value was not less than Rs. 200 crores. It is not the question of the ruler being typical of the mass of the population. It is the absolute waste of the money remaining idle.

8789. I want to put it to you in this way. In every country on the face of the earth the population will require a certain amount of gold to be used in jewellery, apart from the gold we may require for reserve in the banks, and do you think that it is a practical proposition for many years to come to reduce the use of gold by the population of the world as a whole?—I agree with you, subject to what I meant, that with more and better education it will take as you say a fairly long time.

8790. Do you mean to say that with education, a part of this gold will be utilised for other purposes than for ornaments?—Yes.

8791. The only point that I wanted to make is that one ought not to argue merely from the size of imports of gold and say that all this gold could have been utilised for a productive purpose. It is misleading?—Yes, it is misleading. But what we economists, and I hope Professor Kale is with me, are anxious to do, is to put the wealth of the country to productive purposes as far as possible. This cannot be brought about until the customs which are now deep-rooted are broken and until women folk are educated.

8792. Has not this question of jewellery assumed an importance on account of the fact that there is a shortage of gold needed for currency?—To some extent that is so. I was very much impressed when I went with Mr. Benjamin Strong down 60 feet below the level of the street in the Reserve Bank in New York and saw something like £ 800 millions of gold lying idle there, and he asked me what would be its effect on banking if he freed that gold. There you have gold concentrated for banking purposes as an apex of credit. Here it is sprinkled all over the country through lack of confidence and lack of education, and it is not ready for mobilization of credit.

8793. But you are aware that much of the gold you are referring to, was also lying idle in the vaults of the Bank?—Yes, but not in the same way at all.

8794. It has been demobilised and does not increase credit, otherwise it would have shattered the whole banking system of the world. Is it not?—The Federal Reserve authorities have sterilized much of it, but the gold is used for monetary purposes on the whole with a great deal of banking skill.

8795. At least a part of it was kept as reserve?—It was so sterilized there through the existence of a sound central banking system and it has been a great gain to the United States to have a federal reserve system before the war which could avoid crisis and thus recurring fluctuations which otherwise would not have been possible.

8796. *Professor Kale* : In India for some time to come during the period of transition when we are trying to modernise our banking system, the internal trade of India will have to be financed by indigenous bankers. Do you not think that some steps will have to be taken before these *shroffs* come into line with modern banking in order to see that the internal trade does not suffer and at the same time the indigenous bankers do their business with the same facility with which they are doing to-day? The point is this.

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We know that the indigenous bankers have not yet come into line with modern banking. Do you want them to come into line with modern banking ?—Yes.

8797. But it will be many years before the modern banking system spreads over the whole country ?—Yes.

8798. During this time of transition we may have to devise certain means with which indigenous *shroffs* will have to be utilised for the purpose of financing internal trade ?—Undoubtedly so. You can do it very easily if you have a unified banking system and if the Central Reserve Bank pays special attention to the needs and requirements and is not rigorous as it is sometimes now. In the Federal Reserve Bank of New York men give a certain class of paper. They are so expert that in half an hour's time the whole thing is done.

8799. You are aware that the internal trade of any country is many a time bigger than its external trade. So that for India it may come to anything like 2,000 crores of rupees. To finance internal trade it will require a very large machinery and this work will have to be done very largely by *shroffs* for many years to come ?—Yes. They ought to be encouraged as far as possible. The estimate of 2,000 crores is, I think, an underestimate of what at best is a very rough approximation.

8800. In the evidence that has been placed before us we have been told that the rate of interest charged by these bankers is about 6 per cent. ?—Yes.

8801. Then again we are told that amongst these indigenous bankers there is sufficient money on which they can trade to-day. In certain cases they do require assistance from without. Therefore, if this is the position, I think the central banking institution, whichever it may be, will have to take into account this fact and say that here is the machinery, here are the funds in the rural parts of the country and they can be utilised for the purpose of financing internal trade ?—I quite agree with you ; but we have to finance them very cautiously and very carefully.

8802. There is a tendency often times to regard the indigenous bankers as out-of-date and so on ?—Any one who has said this has not studied Indian economics. The *shroff* is conservative. But bankers all over the world are conservative.

8803. With regard to the quotation you have given from Sir Norman Murray, of course, you have stated not the particular view of your own, but you have placed before us the two sides of the question and I need not ask you any further question on this point ?—You will just refer to the statements appended to his evidence on page 478 of the Indian Currency and Finance, Volume IV.

8804. In that reply Sir Norman Murray has said that to a certain extent the Imperial Bank of India may be competing with the Indian joint stock banks, but they are doing it on fair terms and they are giving facilities to the public. But do you not agree in the circumstances I have described that the facilities may be given to a certain section of the population at a very heavy cost to the country taken as a whole ?—This point was raised a fortnight ago in England in connection with this new banking enquiry. There is a feeling to-day in England, almost universal throughout the country, that the business-man in London is able with the Big Five to get advantages while the smaller man in the province does not get, because the Big Five are so large that the man in the provinces cannot meet the headquarters staff like the man who is in London. This is one thing that prompted this banking enquiry in England and a good deal is going to be said on this question.

8805. Do you think it is a very important point?—It is a very important point and it should not be overlooked.

8806. With regard to a national savings association the work has been and is very largely being done now by the postal cash certificates. But we have received complaints from many cities that the higher rate of interest that is allowed by Government on these certificates, to a very large extent, withdraws money away from the rural centres and has consequently had a very adverse effect upon the banking position in the rural areas. Do you think that the rate that Government allows to-day is a bit higher than what it should have been to-day?—Look at the figures of amount outstanding at the end of every year. In 1917-18 it was 8·8 crores; in 1918-19-20 it was about 6 crores; in 1920-21-22 it was about 4 crores; and in 1923-24 it was about 8 crores; in 1924-25 it was 13 crores; in 1927-28 it was 31 crores and to-day it is only about 32 crores. In view of what you have suggested just now about the total amount required for financing the internal trade of the country, compared with it, this sum of 32 crores is after all a very small amount.

8807. But it is partly money which otherwise we are told would have gone to *shroffs* and Government is competing with them by giving a high rate of interest on the certificates. They say that the funds which are available to the rural population are being depleted?—In view of the smallness of the figure and in view of your remarks on internal trade it is not going to affect it very much. At the end of 31st March the amount outstanding is 32 crores of rupees. It is comparatively a small amount. It is recognised in all savings banks all over the world to make it so attractive that it draws large sums of money. My point is that the amount is very small as compared with the total amount required for financing the internal trade.

8808. But this is locked up permanently?—The receipts for last year were only 4 crores and 90 lakhs and the repayments were 3 crores and 29 lakhs. The net receipts were 1 crore and 61 lakhs. This is a very very small drop in the ocean and it is not locked up permanently as one who studies the ways and means statement of the Finance Department well knows.

8809. Do you not think that this is likely to affect the internal trade?—No.

8810. *The Chairman* : Can you say at least that a part of the money which is invested in postal cash certificates would not have been forthcoming at all or would have been hoarded if there were not these facilities available?—This is very probable, but we have no definite data.

8811. *Professor Kale* : Your point is that every effort should be made to induce the people to invest their savings in banks?—Yes. My definite proposals are given in the *Economic Journal* for December 1929.

8812. *Mr. V. L. Mehta* : You have quoted some figures about some savings associations in Aberdeen and those figures show that a very large proportion of the resources is utilised locally?—Yes.

8813. Do you not think that a savings campaign here would have a greater attractiveness about it if it was understood that a very large proportion of the savings were to be used locally?—Yes. But you have to see that the savings are put into use in the proper way.

8814. But assuming that it was possible to utilise these savings in sound local schemes, would you then have any objection to their being so utilised, and would that not popularise the savings scheme?—Yes; I am in favour of that.

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8815. You said that you paid a visit to the Federal Reserve Bank in New York. I do not know whether you had any opportunity of seeing the system of warehouses in America?—No. I was really to study the methods of labour in Labour Departments but thanks to Sir Basil Blackett and I was able also to study Wall Street and the banking system first hand.

8816. About this bill system is it more popular in the Continent than in England?—Yes.

8817. I just want to enquire if the lack of rapid expansion of the system or further expansion in India may not be due to the fact that the joint stock banks and the Imperial Bank more or less follow English banking methods rather than Continental banking methods. Is this one of the reasons why the bill system is not so popular?—It may be so.

8818. About financing agriculture, in your remarks you say that some of the joint stock banks are not inclined to invest a large proportion of their funds in agriculture. If we have a central banking system, do you think there will have to be some provision for financing agriculture?—Yes. I think you know in America recently they have made special arrangements for financing agriculture, but you cannot get away from the fact that banking is banking.

8819. Would you like to have a separate machinery for financing agriculture or would you combine it in the central banking system?—I would rather have it, if possible, in the central banking system itself. The final draft of the Indian Reserve Bank Bill did contain a provision, differentiating between commercial and agricultural bills. Thus the bank was allowed to discount and rediscount commercial bills maturing at a period of not more than ninety days. With regard to agricultural bills, however, the period was extended up to six months. In the Federal Reserve Act agricultural paper may run for nine months. This concession to agriculture is made because the turnover of agriculture is lower than the industrial turnover.

8820. Both for long-term purposes as well as for short-term purposes?—Yes.

8821. Do you mean that the Central Bank will be responsible ultimately for financing to a large degree the whole agricultural industry?—Yes.

8822. *Mr. Kamat*: About the figures which you have given as regards the absorption of gold and silver in India, is this ratio in relation to the world's production?—Yes.

8823. But have you similar figures for other countries?—For example what is the absorption of gold and silver in England for jewellery per capita? If in India you say it is one shilling per capita I want to know whether in England it is more than one shilling or less than that per head?—I will give you data from the Report of the United States of America Mint.

8824. Unless we know how much is being used in England per head we do not know how it compares, whether favourably or unfavourably with the people here?—Obviously the amount which we use in the West for currency purposes is great. It is relatively high. But it is not so high as sometimes people are apt to think. I will, as I have said, try to get data. The United States works out estimates of gold and silver in each country in the world for non-currency purposes. Gold used in the Arts in England in 1926 (calendar year) is estimated at \$ 74,333,684 of which \$ 43,268,236 was new

Silver used in the Arts is estimated at 39,408,393 fine ozs. of which 29,407,601 fine ozs. was new material. This gives a per capita figure of .33 oz. and .25 oz. respectively.

8825. But, speaking generally, from your general impressions have you observed that in the streets of London there are more jewellery shops or whether there are less jewellery shops than, say, in the streets of Bombay?—May I include the Bullion Market in Bombay, a most interesting part in Bombay!

8826. Regarding advances to purely industrial concerns by the Imperial Bank you try to show that Indian concerns get 63 per cent. of the total advances?—The figures are given on page 479 of the Report.

8827. But are they in relation to the total amount disbursed?—Yes.

8828. I wonder what is the total demand from the Indian concerns, and how much out of that demand the Imperial Bank has advanced. What I am trying to find out from you is this. You do not prove your point so far as I can see. For example if out of 100 per cent. demand for money, 75 per cent. is given to Indian concerns and 25 per cent. for Europeans then it is something, whereas if 30 or 40 per cent. only is given to Indians then the fact is the other way. I want to know what was the total demand from industrial concerns of Indians as well as of Europeans?—I do not think Sir Norman Murray has put forward this information. What he meant to show was that out of their needs 63 per cent. was Indian and the rest was European. I shall just read the following passage:—

“*Sir Purushottamdas Thakurdas*: A few witnesses have mentioned to the Commission that a general suspicion is lurking in the mind of the Indian public that the Imperial Bank do not give full facilities to the Indian commercial and industrial community on a par with European commercial community. Can you put before the Commission any figures or facts to challenge this allegation *prima facie*?—We recently took out some figures showing the amount of our industrial advances to Indians and Europeans. I have a copy of the statement here. This concerns only the industrial advances and it shows that our industrial advances to Indians totalled 13 crores and 14 lakhs, while our advances to Europeans totalled 7 crores and 70 lakhs. With regard to the deposits and general loan facilities if the Commission would like to call for a statement showing our deposits under the heads ‘Indian and European’ I have no doubt that the bank will be able to supply it, and I am sure that the statement will show that we receive more deposits from Europeans than from Indians and we lend more to Indians than to Europeans.

“I must say that those who made this allegation have not for reasons which they have not been able to explain to us very fully been able to give us facts in support of their allegation and I felt that they would put forward any figures *prima facie* which would show there could not be much in it. On the whole it might help us?—(Sir Norman Murray) I am sure the bank will be very glad to produce the figures to show exactly the extent of our advances to Indians and Europeans.

“May I then take it that you would send the Secretary a statement of the commercial advances on similar lines?—

“The Chairman: Let us first understand that it can be private. Perhaps we may mention the matter afterwards amongst ourselves as long as Sir Norman Murray knows just what he has to send.

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"Sir Norman Murray, would you repeat it?—It would be a statement where we should show the total amount of our deposits divided under the heading 'Indian and European' and the total amount of our advances in the same way because it is quite untrue to say that we discriminate in any way unfairly between Europeans and Indians. In our own interest we have to consider every proposition which is put before us on its own merit as a proposition."

Then he put in the following statement :—

IMPERIAL BANK OF INDIA.

DEPOSITS AND ADVANCES AS AT THE LAST WEEK IN MARCH 1925.

Deposits.

					Rs.	Percentage of total.
Indian	..	..	..	..	35,22 lakhs	67
European	..	..	..	..	16,88 "	33
Total ..					52,10 "	

Advances.

					Rs.	
Indian	..	..	..	..	48,27 lakhs	68
European	..	..	..	..	23,18 "	32
Total ..					71,45 "	

Banks.*

					Indian Banks.	Other Banks.
					Rs.	Rs.
Deposits as on 27th March 1925	..	..	..	..	1,85 lakhs	5,76 lakhs
Advances	..	..	..	..	3,06 "	2,23 "

* These figures are included in the totals of "Deposits" and "Advances" in the preceding tables.

8829. Does this mean that the advances are made on the basis of deposits received from Indians and Europeans?—Not necessarily.

8830. What I wanted to know from you is, what proportion do they advance to Indian industrial concerns to the total demand made by them?—This is not possible.

8831. Even taking your figures as they are, I may point out, at any rate, for Bengal only 3.74 lakhs are advanced to Indian industrial concerns while 5.74 lakhs are advanced to European industrial concerns out of the total of 9.48 lakhs. You referred a few minutes ago to the [unclear] out whom you had the opportunity of observing and mentioned the use [unclear] of these young men.

Do you think that the Imperial Bank is making sufficient use of Indian talent for Indianisation?—I am not in a position to know that. I have not seen the recruitment statistics in recent years. but I do think we heads of colleges could give the Imperial Bank and other banks young men who with training and experience would be very valuable to the banks and the banking system. The Indian Institute of Bankers is also a move in the right direction.

8832. *Mr. Desai* : Do you not think that the chief thing in banking is the character of securities offered by the commercial and industrial public?—Certainly so.

8833. I place it before you that in this city the millowners are not in a position to offer securities which are acceptable to the Imperial Bank. Is it not in the interest of the country and trade that the Imperial Bank should change its rigid formalities and rules?—The Imperial Bank is governed by a statute in regard to finance. I understand that it can make adequate advances on goods such as paper, etc. If the millowners wish to pledge their stock, they will be accommodated, but the millowners prefer to continue to attract their own deposits from individuals and not to follow the rules required by statute. The Imperial Bank, as Sir Norman Murray reminded the Hilton Young Commission, is specifically prohibited from :—

“ 1. Making any loan or advance—

- (a) For a longer period than six months.
- (b) Upon the security of stock or shares of the bank.
- (c) On the original security of immovable property.

2. Discounting bills for or lending or advancing in any way to any individual or partnership firm an amount exceeding at any one time Rs. 20 lakhs except on the security of trustee stocks, funds and securities, securities issued by certain State-aided railways, the debentures and other securities issued by District Boards under the authority of the Legislature, and goods or documents of title thereto.

3. Discounting or advancing on bills, etc., of any individual or partnership firm payable at the town or place where they are presented for discount which do not carry on them the several responsibilities of at least two persons or firms unconnected with each other in general partnership.

4. Granting unsecured overdrafts in excess of Rs. 1 lakh.

5. Opening accounts in the London Office for persons other than its Indian constituents.

The Bank is generally prohibited from transacting any business not specified in the Act; this prevents it from sharing in the finance of the external trade of the country.”

8834. Yesterday the millowners told us that the Imperial Bank is not extending any facility to the local industry. I want to know your views?—If I had been warned of this question I would have made further enquiries from my millowner friends. In the absence of notice I am not in a position to answer this question. You will get this information in Bombay from the head office. It is a very important question.

(The witness withdrew.)

Principal G. Findlay Shirras.

Mr. JIVANLAL V. DESAI, Bar-at-law, Ahmedabad.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—As far as I know the agriculturist in this district generally obtains financial assistance from the village *bania* for all purposes. The rate of interest varies from 8 to 20 per cent. per annum and sometimes bonus also is charged. There is no fixed period for which the loan is granted, but generally the *bania* secures repayment at harvest. The produce of the field or the price is paid to the *soucar*.

The Government grants *taccavi* loans, but the Imperial Bank of India and the joint stock banks take no part in assisting the agriculturists. Co-operative banks are of some assistance to the agriculturist who may be a member of a co-operative society.

In recent times professional money-lenders like Pathans have found a fair footing among the agriculturists notwithstanding their exorbitant rate of interest and their special method of recovering their dues.

Sindhis generally go from village to village with bullocks just at the beginning of the cultivating season and sell bullocks on instalment system charging something in advance. Generally they charge 60 or 70 per cent. more than the cash price. The instalments are to be paid regularly. In case of default the *Sindhi* goes to the village and demands from the cultivator the instalment. If he is unable to pay the instalment a *mosal* or penalty with the instalment is demanded within eight days or so. In case of inability to pay, the bullocks are taken away by the *Sindhi* from the possession of the cultivator. This practice is followed even if the last item is not paid in time—Hence the proverb '*Sindhinu Kandhu Chhe.*' (It is a *Sindhi* instalment.)

Some merchants give advances on the security of the produce if the same be consigned to them for sale in an outside market.

So far as I know there is no survey made of the requirements of agriculturists for the purpose of agricultural improvement or operations. Roughly speaking, I would put down the amount at Rs. 10 per acre of arable land.

So far as I know there is no information available as to the extent of finance provided annually in kind. In some villages the village *bania* gives seed fixing the value thereof in cash and he receives back the amount thus settled with interest by the produce in kind at rates fixed by the *bania* himself.

This method leaves the agriculturist at the mercy of the *bania* with the result of increasing poverty and increasing indebtedness. I would suggest facilities be given to the agriculturists by the State or by its agencies for all agricultural operations and improvements, the State having the first charge on the produce.

The villagers resort to the *bania* because loans are obtainable more easily from him than from co-operative societies or Government.

As far as I know there is no co-ordination between these agencies except that the Provincial Co-operative Bank might obtain Government loans.

QUESTION 2.—The present method of marketing crop is also through the village *soucar* who often acts as an outsider's commission agent. Sometimes the villagers in the neighbourhood of a *taluka* centre resort to a *bania* of the *taluka* town for this purpose. In some cases a *taluka* town *bania* goes to the villages and through the instrumentality of the village *bania*, enters into forward contracts for the purchase of the produce,

sometimes fixing the price at that time, and sometimes the price may be fixed at the time of taking delivery and oftentimes the cultivator has no voice in fixing the price. If the price settled at the time of making the contract is lower than the price of the commodity at the time of delivery, the purchaser does not give much trouble, but if this price is against the purchaser, all sorts of difficulties are thrown by him and eventually the cultivator is persuaded to accept a lower price.

If arrangements be made to give fair advances to the cultivators against the produce I do not see any difficulty in organising pools. At first the village *sowcars* will create an opposition, but spread of education would remove this obstacle. Pioneer pools under the supervision of trusted people would go a long way in popularising this institution.

The produce of the field being practically assigned to the village *sowcar* for moneys borrowed for agricultural operations, these advances will have to be repaid before the produce is taken to the pool, and some amount will also be required for the payment of land revenue. I would suggest that arrangement should be made to advance up to 75 per cent. of the price of the produce brought to the pool to meet these.

I have noticed that there are greater facilities for financing the foreign trade. These exporters are in a position to make necessary advances or payments for the product and they get financial assistance from the Imperial Bank as well as from the joint stock banks.

The *taluka* towns are connected with Bombay and *hundis* drawn by *taluka* bankers on Bombay bankers or merchants are cashed locally.

Only railway receipts are employed for raising money during the process of marketing and no difficulties are experienced in getting advances thereon.

At important *taluka* centres licensed warehouses may be of some assistance, but these will require Government help.

QUESTION 3.—The value of land depends upon different circumstances, proximity of a railway station being an important factor. If there is no well and the land be not fallow, it would fetch about Rs. 25 per acre in an ordinary village. But if similar land be near a railway station and the villagers fairly doing their work, the price may go up to about Rs. 70 per acre. *Bagayat* lands are sold at Rs. 150 to Rs. 200 an acre.

Land sold at Government auction for non-payment of revenue is likely to be sold at a lower price, because the previous occupant has not paid due attention to it for some years before the sale. The land has appreciably deteriorated. At such auction land is sold at from six times to ten times the assessment; but if land is sold at court sale, the occupant has paid attention to his cultivation almost to the very last and this land is likely to get better prices. The land sold by private negotiation is bound to fetch highest price.

QUESTION 4.—There are no impediments to mortgages except in the case of *talukdari* lands. There are no land mortgage banks or agricultural banks in the district. I would suggest the establishment of a land mortgage bank, capital whereof may be obtained by debentures or from Government and money lent at interest not higher than 5 per cent. per annum. Cultivators not owning lands may obtain financial assistance from agricultural banks to be established which may be financed with the collections of *talukas* which at present are sent to the Imperial Bank to be utilised elsewhere than in the *taluka*.

The Record of Rights is not in some instances prepared accurately. Ordinarily, this work falls to the lot of a *talati* and it is possible to overreach him. If the Record be revised

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with the assistance of some respectable men of the village or *taluka* and certified to be correct by the *mamlatdar*, there will be no risk to the bank.

The process of foreclosure will be simplified, if the mortgagee bank be treated as having possession of the property mortgaged, power of sale being conferred by statute upon the bank as in the case of an English mortgage under the Transfer of Property Act.

The working capital of mortgage banks as well as agricultural banks should be raised from

- (a) deposits;
- (b) funds from central institutions; and
- (c) debenture Bonds.

If Government guarantee is extended to the principal and interest, the public will be induced to purchase debentures as well as to make deposits. The surplus of *taluka* collections should be made available for the agricultural banks. So far as deposits are concerned, these may be allowed the same interest as post office deposits and debentures should not carry more than 5 per cent. interest.

QUESTION 5.—So far as the Ahmedabad district is concerned, no estimate is made of the indebtedness of any village. But, it is possible to make such an estimate if the confidence of the agriculturists is secured that the estimate is being made for a benevolent object.

Agriculturists are generally indebted to the village *baniyas* and the rate of interest varies from 8 to 20 per cent. In calculating interest unscrupulous lenders take advantage of the ignorance of the agriculturists. If any Pathans have gone into the village, the rate of interest goes up to, in some cases, 4 annas per rupee per month. These Pathans lend for a month or two and if there be failure to repay, interest is added to the principal and the loan is renewed for a period of a month or two.

There are many instances in which the original proprietors have parted with their lands to their creditors and themselves cultivating the same as mere tenants-at-will. These tenant cultivators do not pay the same attention to the lands as they did when they were owner-cultivators.

QUESTION 6.—Some cultivators own milch cattle and thus add to their slender agricultural income. *Gur* making or sugar refining or cotton ginning is in the hands of merchants. Lately, in some villages hand spinning is introduced, but hand-loom industry would be more attractive. Yarn may be supplied on co-operative principles and the finished cloth will be available cheaper to the villagers. In village school curricula room should be found for village handicrafts like carpentry, smithy, tailoring, hand-spinning and hand-weaving so that when grown-up, the young villager beginning life may have a liking for the craft that he may have picked up at school.

QUESTION 7.—My observation leads me to infer that the Co-operative Movement has not made much progress in this district. Recently, co-operative housing movement has gained popularity. If rightly followed and understood by the people, it has great potentialities. Co-operative farm societies for the supply of implements, manure, seeds, etc., would be a move in the right direction.

QUESTION 8.—The extension of the Dekkhan Agriculturists' Relief Act to this district has not made any appreciable effect on the condition of the agriculturists. In certain respects, it has gone to reduce the credit of the agriculturists. Some large *zemindars* have taken shelter under the Act. I would suggest that the provisions of the Act should apply only to small agriculturists who cultivate the lands personally.

QUESTION 9.—The Usurious Loans Act can be resorted to by debtors in large towns, but the lender is shrewd enough to disguise his transactions ; and the impecunious debtor in such circumstances has a cheaper and less laborious remedy of resorting to the Insolvency Court. Some legislative measures may be taken against the professional money-lenders. These are a class by themselves. The native *shroffs* are not in this class. In this district, they have the appellation of *landhias*, i.e., those who lend money recoverable by instalments. The Pathan money-lenders are a great danger to society.

SECTION II.

QUESTION 1.—The indigenous banker generally did all kinds of business. He was instrumental in financing local business, in remitting or obtaining money upcountry. Some such bankers undertook even insurance business. Several bankers have now taken to industries, principally the mill industry, and the banking business of the *shroffs* is mostly confined to lines connected with the textile industry.

QUESTION 2.—These bankers are useful in financing petty trades and industries.

QUESTION 5.—As far as I know the indigenous bankers receive deposits at fairly low rate of interest and they lay them out at a difference of about $1\frac{1}{2}$ to 2 per cent. per annum, and a certain bonus per year for keeping the *khata* is called *adat*.

10. The indigenous bankers have their own connections with the provincial markets.

11. Local money flows to the provincial centres through the Imperial Bank or joint stock banks. This flow of money makes local money markets tight.

The money in the hands of local bankers generally finds employment locally and it is not drained out.

GENERAL REMARKS.

It is a matter of common knowledge that though the agriculturist with all the members of his family works on the land for the greater part of the year, the family gets very poor return. Many causes have contributed to this result, and very drastic remedies are required to ameliorate his condition. The State must assume very onerous duties for this purpose. I would suggest even a moratorium for the existing debts of agriculturists. In past times, Government has undertaken such duties for large landholders like *talukdars*. At present we have the Court of Wards Act working in their interests. The problem is very wide. There are vast tracts of land available for agriculture, but the same remain waste for want of any system. If agriculture be made paying, there will be a solution for the unemployment problem. Even the villagers get out of the village if they find labour in an industrial centre. The city of Ahmedabad has a large number of such immigrants. Love for land should be created among the young men.

Oral Evidence.

8835. *The Chairman* : Mr. Desai, you are a Barrister-at-Law practising in Ahmedabad ?—Yes.

8836. Are you in any way concerned with any banking institution ?—No.

8837. Do you do any banking business yourself ?—No.

8838. Do you come into touch with agriculturists in their operations ?—A good deal.

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8839. Is it in connection with your practice ?—Yes. Also my son is a farmer. He is a graduate in agriculture and he has taken to practical farming.

8840. Whereabouts ?—It is about 10 miles from here.

8841. Does he do farming himself or does he lease the land ?—He does it himself.

8842. Does he keep accounts ?—Yes.

8843. Will you tell us what is the cost of cultivation per acre under different crops, for instance, for cotton, *juar* and other crops ?—I will get this information from my son and send it to you.

8844. In the first paragraph of your statement you refer to bonus. Is that the same as *vata* ?—That is *paghdi*. When a *khata* is started or a loan is advanced for Rs. 100, they charge Rs. 5 or Rs. 10. This is what is called *paghdi*.

8845. Is it the same as what they call in other parts of Gujarat *vata* ?—Yes.

8846. Is it the usual practice for the *bania* to insist in the case of a borrower upon the produce being sold through him ?—He has a first charge. It is understood.

8847. Legally has he a first charge ?—No.

8848. Is this the usual practice here ?—Yes. He advances money practically on the security of the harvest.

8849. Do you think that the amount advanced by Pathans amongst agriculturists is increasing in recent years ?—Yes, because the village *bania* has not sufficient capital. It is locked up in agricultural operations. Now his resources are not as good as they used to be formerly.

8850. What is this due to ?—Due to bad seasons, and due to the fiscal policy of Government.

8851. Were not there such bad years before ?—I have seen that from 1900 up to now there have been a series of bad years.

8852. Is this figure of Rs. 10 per acre based on any calculation or is this only a general impression ?—This is only a general impression.

8853. Speaking about marketing you say that if the market is falling, the purchaser plays all sorts of tricks and deprives the agriculturist of his legitimate price ?—Yes.

8854. Is this true of purchases in the village or in the market or in both ?—Generally most of the produce is sold here in the villages only.

8855. You say, "If arrangements be made to give fair advances to the cultivators against the produce, I do not see any difficulty in organizing pools." If they do not bring the produce to the market at all, will not such arrangements be futile ?—You organize a pool or a sale society, have the goods there and advance against it.

8856. But this would be done when it is brought to the market for sale ?—Yes.

8857. But so long as a cultivator sells his cotton individually, there is no possibility of forming a pool ?—There is the village *bania* who by a previous contract collects all the crop during harvest and then takes it to the ginning factory.

8858. But so long as this system continues there would not be any necessity for warehousing unless this system is broken ?—I think it is necessary to break it down.

8859. Speaking about the Usurious Loans Act you say : "Some legislative measures may be taken against the professional money-lenders." Do you suggest some legislative measures against village *abucars* ?—No. I mean men like Pathans.

8860. How would you distinguish them if you want to undertake legislation?—We can easily distinguish them.

8861. Suppose you want to pass a law, how would you distinguish between these money-lenders and the other money-lenders?—You might call them bankers.

8862. But there are other bankers? Would you want legislation against all bankers?—No; I want legislation against people who deal with villagers and who have a bad reputation about their method of advancing money.

8863. Can you incorporate this in a law?—It can easily be done. It is a question of legal drafting.

8864. How can you distinguish an ordinary village money-lender and those who advance at usurious rates of interest? Will you take the rate of interest as your criterion?—This will be one method.

8865. In your general remarks you say: “It is a matter of common knowledge that though the agriculturist with all the members of his family works on the land for the greater part of the year, the family gets a very poor return. Many causes have contributed to this result and very drastic remedies are required to ameliorate his condition. The State must assume very onerous duties for this purpose. I would suggest even a moratorium for the existing debts of agriculturists.” For how many years?—At least for about 10 years.

8866. You further say: “In past times Government has undertaken such duties for large landholders like *talukdars*.” Have they declared a moratorium?—Yes. And we have the Court of Wards Act working in their interest.

8867. *Mr. Kamat*: You say: “The process of foreclosure will be simplified, if the mortgagee bank be treated as having possession of the property mortgaged, power of sale being conferred by statute upon the bank as in the case of an English mortgage under the Transfer of Property Act.” Will you please explain how is the procedure adopted in the English mortgage?—Under the English mortgage the mortgagee has the power of sale without going to the civil court, and an English mortgage is possible between parties who are not Hindus or Mahomedans and a joint stock bank on one side; and there may be a mortgage transaction. Then the possession is with the bank.

8868. Do you think that such a power should be given to all banks in India?—No. I start with the idea of a land mortgage bank. The power should be given only to land mortgage banks.

8869. *Mr. Desai*: You say in your memorandum that the rate of interest charged by a *bania* varies from 8 to 20 per cent. per annum?—Yes. And the Pathan charges four annas per rupee per month.

8870. In spite of the Dekkhan Agriculturists' Relief Act and the co-operative societies, these Pathans have a firm footing here, have they not?—Yes.

8871. Can you tell us what are the reasons?—The impecunious condition of the man is the chief thing.

8872. *The Chairman*: Do Pathans advance to labourers or also to agriculturists?—To anybody they advance money. They do not require any security.

8873. One witness told this Committee that the Dekkhan Agriculturists' Relief Act had compelled honest *banias* to stop their dealings while the Pathans had taken their place. Do you agree with his view?—This is going too far. If there are honest *banias*

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and honest villagers, there will not be any necessity for the Dekkhan Agriculturists' Relief Act. The *banias* have worked to the detriment of agriculturists.

8874. Both the villager and the *bania* are existing since centuries, do they not?—Yes.

8875. *Mr. Desai* : Do you not think that other agencies and forces have worked to the detriment of the interests of agriculturists?—There might be some reasons which cannot be fathomed. It is not purely the agricultural indebtedness. There are other debts which cannot be met from pure agriculture.

8876. Then do you not think it a practical solution to organize the *banias*?—It will be too difficult to organize them. They will be cutting each other's throat.

8877. *Professor Kale* : You say, " I have noticed that there are greater facilities for financing the foreign trade. These exporters are in a position to make necessary advances or payments for the produce and they get financial assistance from the Imperial Bank as well as from joint stock banks " ?—Yes.

8878. Do you write this in a spirit of complaint?—I say it as a fact.

8879. That is to say, you want to bring to the notice of the Committee the fact that all sorts of facilities are given for the finance to foreign trade and they are not given to internal trade? Is this your point?—Yes.

8880. You say that co-operation has not made much progress in this district. How do you account for it?—The members could not understand the true spirit of co-operation. There is also another thing. A man goes to a village banker and gets money with greater facilities than when he goes to a society to borrow because there are certain formalities which he has to observe and without these formalities he cannot get money from a society and these things therefore have created a lack of confidence in him in the society.

8881. Is the general rate of interest of a village banker much higher than the co-operative society's rate?—Yes. I think the society charges about 9 per cent. and a village *bania* might be charging about 15 per cent.

8882. Do the landholders who have good credit go to a *bania*?—If they have good credit they can get money at a cheap rate.

8883. Do you think that there is a growing tendency in this district for land to pass out of the hands of cultivators?—Yes. This is because the landholders are not able to repay their loans taken from money-lenders.

8884. Does not the Dekkhan Agriculturists' Relief Act help a cultivator in retaining the land?—The instalments are fixed by the court and even these instalments are not paid.

8885. Do you think that on the whole the said Act has not worked satisfactorily?—No, except some *talukdars* who have had some advantage under the Act.

8886. On the same page you say, " In village school curricula room should be found for village handicrafts like carpentry, smithy, tailoring, hand-spinning and hand-weaving so that when grown up, the young villager beginning life may have a liking for the craft that he may have picked up at school." Do you think that this kind of work would promote greater industrial expansion?—This kind of work may be relief in the schools, but I should prefer employment in the village itself for these people instead of their going to Ahmedabad. People come to Ahmedabad and work like bullocks.

8887. But we were told that many of these villagers who are engaged to-day in the mills have settled down in Ahmedabad and do not go daily to their villages?—They walk every day both in the morning and in the evening five or six miles. I know as a matter

of fact there are large pieces of land owned by big *shetias* and they remain uncultivated year after year.

8888. Do they remain uncultivated for lack of interest in farming or lack of labour?—Yes. Generally apathy of the owners. You will find half of their lands remaining uncultivated.

8889. You said that further facilities should be given to agriculturists. Do you refer to the *taccavi* system or to something else?—I refer to assistance in the shape of an agricultural bank. I do not approve of the *taccavi* advance at all. *Taccavi* is a sort of screw upon the cultivator.

8890. What is an agricultural bank? Do you distinguish it from a land mortgage bank?—Yes.

8891. Will you keep open a land mortgage bank for landholders, both big and small?—Yes.

8892. Why do you say then you want an agricultural bank?—If he is not a landholder he might be a farmer and he should be given a current account on the credit of his produce.

8893. Would this be distinctive from a village co-operative society?—Yes.

8894. Would you prefer an agricultural bank to a small village co-operative society?—Yes. And it could have a wider area of operation.

8895. By whom would it be managed?—There might be a small committee or a paid agency.

8896. Would it be managed by people who bring in capital?—No. The State should have to finance it.

8897. Have you heard of any such agricultural banks anywhere in other countries?—I remember to have read about the Egyptian banks. This is partly a land mortgage bank also.

8898. About the Pathans, can you bring them under any legislation?—No.

8899. What is your remedy?—The remedy is one gets beaten and there is the civil surgeon to dress him.

8900. Is the evil greater in the city?—It is greater both in the city and in the villages.

8901. Is it widespread?—Yes.

(The witness withdrew.)

Rao Saheb DESAIBHAI SHANKERBHAI PATEL, District Honorary Organiser, Co-operative Societies, Ahmedabad.

(Summary of Replies to the Questionnaire in Gujarati.)

The agriculturists obtain finance from (a) the *sowcar* and (b) the co-operative society. The agriculturists owe ancestral debts to *sowcars* and instead of redeeming the old debts got more and more indebted. The *sowcars* charge interest varying from 6 to 25 per cent. to persons with credit. They advance both in kind and cash. When they advance in cash, no period is generally fixed, but they recover interest on the loan advanced every

Rao Saheb Desaibhai Shankerbhai Patel.

year. When they advance in kind, they recover at the time of the season. The co-operative societies in this district advance money only in cash and not in kind. Every year normal credit statements are prepared during the middle of April or May, and the agriculturists are given loans between June and September by instalments as and when they need. As there is no proper supervision and check the loans are misused. Most of the members, being indebted to *sowcars*, borrow from the society to repay the *sowcars*. The societies advance money on the strength of two sureties, the rate being generally 9 to 12 per cent.

The condition of the agriculturists has been worsening on account of continued bad seasons, increased indebtedness to *sowcars* and the improvident habits.

In order to improve the economic condition of the agriculturists, Government should take the following steps :—

(1) Co-operative societies should be started in as many villages as possible, and well-educated group secretaries should be appointed, who should be controlled by district banks and supervising unions ;

(2) Only finance for current expenses should be provided through co-operative societies, and a land mortgage bank should be established for the purpose of granting long-term loans.

(3) Government should lend money to these land mortgage banks at 4 per cent. from the post office savings bank deposits, which they receive at 3 per cent., and the land mortgage banks should lend money to agriculturists at rates not exceeding 6 per cent.

(4) The land mortgage bank should redeem the agriculturists from old debts and save them from the clutches of *sowcars*.

(5) Co-operative sale societies should be started to assist the agriculturists in disposing of their produce and getting a fair return.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am a District Honorary Organiser in Ahmedabad. There are 49 societies in my charge. More than half are good societies. Many of the members borrow from the societies as well as from the *sowcars*. The societies do not know the total indebtedness of the members because the members do not state the exact facts. It is dangerous to finance the members who are already indebted. For current needs, the members are financed fully by the societies. Normal credit statements are prepared, and the members get money to the extent of the limit between June and September.

There are Pathans in all villages. They charge 6 per cent. to good agriculturists. Good men do not join the societies. The members of our societies are charged 6 to 24 per cent. by the *sowcars*. The *sowcars* also advance in kind, in which case the interest works out at about 25 per cent. Some members advance money from the societies for agricultural needs, and use it for other purposes.

I suggest that there should be group secretaries, so that the societies will be managed efficiently. The societies should advance only for current needs and should not advance for marriage and other expenses. For long-term loans there should be a land mortgage bank. People now invest money in postal cash certificates and savings bank which money used to go to the traders. It would be better if this money is invested in

co-operative societies or in land mortgage banks. In Jamiatpur village about Rs. 500 are invested in postal cash certificates. Some people lose the certificates and they cannot withdraw their money. Therefore, now they do not invest in postal cash certificates.

There is no purchase and sale society in my *taluk*. The *dalals* of ginowners go to villages and the agriculturists sell their *kapas* to these *dalals*. The agriculturists themselves do not take their produce to the ginning factories. The price depends on the competition among the buyers, and the price fluctuates every day. When the price is fixed, there is no *karda* in ginning factories. The cotton is sent to the ginning factories in hired carts. If a sale society is started, it would take the *kapas* from the agriculturists, and advance money to the extent of 75 per cent. of the value to the agriculturists, and the *kapas* will be taken to Ahmedabad or Viramgam or Kalol for ginning. There are no sale societies in the Ahmedabad District.

The present secretaries of the societies are not well trained and they are not well paid. I think group secretaries would be able to manage the societies better. If a good secretary is obtained locally, he may be engaged.

In my opinion the Co-operative Institute should have propaganda officers, who should teach the people in the village principles of economy and thrift.

(The witness withdrew.)

THE AHMEDABAD SHROFF ASSOCIATION.

Replies to the Questionnaire.

(Summary of Replies to Questionnaire in Gujarati.)

Only the *sowcars* finance the agriculturists. Co-operative or other banks have not yet "proved successful". The rate of interest varies according to the financial position of the agriculturists from 9 per cent. to 12 per cent. At the time the advance is made, there is usually no understanding as to the period of the loan. It is given on the borrower's credit and only in rare cases a surety is required. It is understood that the loan would be repaid after harvest time.

The agriculturists borrow money from *bania* merchants. Government and other banks have done nothing to help the agriculturist.

The rate of interest on loans in villages depends on the rates charged by the city *shroffs* which depend on bank rates which again depend on the Imperial Bank's rate.

If the Imperial Bank rate cannot be reduced during the season from January to April, Government should arrange to lend money on easy terms through the treasury.

The principal produce of the district is taken to village *mandis* for sale. *Kapas* is taken to places where there are gins and ordinarily it is sold at the market rate.

If there is a system of forming pools, the agriculturists would get good price for their goods.

The Bank rate is high and money is dear at the time of marketing grain.

In our district the internal trade is carried on by means of *hundis* only. Only the *darshani hundis* are in vogue.

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The Negotiable Instruments Act should be amended.

The maximum price for the best soil is Rs. 500 per acre.

Land can be legally mortgaged in our district. The agriculturists would be helped if there are land mortgage banks. If the business is done with caution, there is no risk of loss. With Government guarantee these banks can get money between $4\frac{1}{2}$ per cent. and 5 per cent. and it may advance funds at $6\frac{1}{2}$ per cent. to 7 per cent.

If an estimate of rural indebtedness is required the Revenue Department should co-operate with the Congress Committees and other organisations as reliable information cannot be obtained by Government departments without the assistance of such bodies.

Owing to ignorance and extreme poverty in pre-British days the agriculturist used to occupy himself in subsidiary industries such as spinning and weaving but now owing to the existence of mills and ginning factories such industries have disappeared.

In our districts co-operative banks do little business. We are not therefore in a position to say what good they do for the agriculturist. We believe, if such banks are run on sound lines, it would be advantageous to the agriculturist. Care should be taken to see that owing to ignorance the borrower is not robbed. The management should ensure that he gets the full amount sanctioned.

Much difficulty has been caused by the Dekkhan Agriculturists' Relief Act as owing to the provisions of this Act it is extremely difficult for the lender to recover his dues.

As the rate of interest is not high in our districts, the Usurious Loans Act is not availed of. For the same reason there is no need for the Money-lenders' Act.

The *shroffs* do the same kind of business and of the same magnitude and responsibility as the Imperial Bank and other banks do. They help people such as small merchants whom the banks generally do not give any financial assistance. The Imperial Bank and other banks play an insignificant part in financing the trade of Gujarat.

We cannot give an idea of the expenses of the *shroffs* but as compared with the expenses incurred by the banks, it may be said that the business of the *shroffs* is conducted on economical lines. The Imperial Bank has given no facilities to the *shroffs*.

Only *darshani hundis* are in use.

The *shroffs'* rate of interest depends on the season, but ordinarily it is between 4 per cent. and 6 per cent. The agriculturists have to pay 9 to 12 per cent.

There is no such prejudice against the *shroffs* as there is against the banks.

The *shroffs* need no legal facility.

Shroffs would be more useful to the public than additional banks, and if facilities are given to them such as those given to the Imperial Bank they would be very useful to the people.

As the *shroffs* do business with their own capital, they would object to any measures compelling them to disclose their position.

We are in favour of opening a Reserve Bank if it is likely to assist *shroffs* and co-operative banks. During the rains there is a surplus, but we do not think this surplus flows to provincial towns for investment.

THE AHMEDABAD SHROFF ASSOCIATION was represented by Mr. JAISINGHBHOY PURSHOTTAMDAS, President of the Board, and Messrs. AMRUTLAL HARGOVANDAS, MANILAL BHOGILAL and NAMNADAS CHUNILAL, Members of the Executive Committee.

Oral Evidence.

8902. *The Chairman* : How many members has your Association ?—Two hundred.
8903. Are they all *shroffs* ?—Yes.
8904. How many of these *shroffs* are pure *shroffs* who would not do any other but the banking business ?—I do not think there would be even five.
8905. Do the others usually do other business ?—Yes ; they do commission agency business. They act as cotton commission agents.
8906. Do any of them trade on their own account ?—Very few.
8907. Are some of you millowners ?—Yes.
8908. That is to say, Managing Agents of mills ?—Yes.
8909. Do most of you receive deposits ?—Not as bankers ; we do not receive deposits in *pedhis*. We have deposits in mills. We take deposits on *khata*.
8910. Have you fixed rates of interest ?—We have fixed rates for borrowings amongst the *shroffs* in the Association.
8911. Can you tell us what the rates are ?—I think the rate never exceeded six annas, that is $4\frac{1}{2}$ per cent. in Ahmedabad except last year when it was eight annas that is 6 per cent.
8912. Is that rate for the year ?—For the season only. It is for the borrowings amongst the members only for the short period, what the banks say “ call money ”.
8913. During the off season people do not require any money ?—Not much.
8914. If it is required do you charge less interest ?—It all depends on the position of the market at a particular time.
8915. What rate do you charge outsiders ?—It all depends on the man borrowing and his needs ; there is no uniformity. But we do not charge more than six per cent. to outsiders, and by way of our profit we charge *adat* of two annas per cent. on the total volume of business on the debit side.
8916. Is it the *adat* you charge as commission agents ?—That is commission ; this is quite separate. We charge outsiders only six per cent, and an additional charge is made at the end of the year of two annas per cent. on the total business on the debit side.
8917. Can you give us a general idea of the capital which is invested by *shroffs* in Ahmedabad ?—When we received the questionnaire, we thought of replying this question, but we found it so difficult that even now we would not be able to give any definite figure. But we can say that we were practically financing all the cotton mills and all the export and import trade that passes through Ahmedabad.
8918. Can you not give us an idea of the actual amount of capital ?—I think it is several times the capital of the Imperial Bank.
8919. Do you finance only trade and industry, or do you also finance agriculture ?—We do not finance agriculture in Ahmedabad.

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8920 Do you finance village money-lenders, and thus indirectly finance agriculture?—The village money-lender is welcome; if he comes to us, we lend him money.

8921. What is the rate of interest?—Practically the same.

8922. Have you any relations with the other banks here like the Imperial Bank or the branches of joint stock banks?—As far as current accounts are concerned, I think several of the members of our Association must have current accounts in the Bank.

8923. Do you get overdrafts?—I do not think we have tried.

8924. Have you never felt the want of overdrafts, or have you never tried?—We may have tried, but the rules of the Imperial Bank are so strict that it is of no use to us.

8925. Is it because they want two sureties or a sound security?—Their ways of dealing are peculiar. They ascertain the credit of merchants, and they investigate into the business of merchants through petty clerks, who make enquiries. It is rather unpleasant, and we do not like this policy, and, therefore, we like to have as little dealing with the Imperial Bank as possible.

8926. If they do not know the credit of a man, they cannot advance?—If they are more elastic, I do not think the business would be impossible.

8927. What do you exactly mean by elasticity? How do you want them to be elastic?—I cannot exactly define it. What I mean is that just as we know one another, and advance money on personal credit, similarly, if they also try to mix with us, it would be better. As a business policy, they should not be above any ordinary *shroff* or banker. Their ways of business are quite different: we seek business, and I do not think they seek business. There should be greater Indianisation in their service.

8928. Do the *shroffs* here work in partnership, or does each work for himself?—Here each works for himself.

8929. Do you not combine for business transactions?—Not as *shroffs*.

8930. Some of your firms must have been existing for many years?—Yes, some firms are about a hundred years old.

8931. Is the present system of doing business the same as it was a hundred years ago?—We are carrying on the same system.

8932. As regards *hundis*, is most of the *hundi* business carried on by *shroffs*?—It was done by *shroffs*, and now it is practically monopolised by banks.

8933. Is that because they charge less than the *shroffs*?—The rate of banks for discounting *hundis* is nominal.

8934. Is that not good for the trade?—If it is, we do not object.

8935. Do some of the *shroffs* also do business on their own account?—They might be doing.

8936. Have any of them come to grief on account of fluctuations in cotton prices during the last five or ten years?—Very few amongst them do business on speculation.

8937. Coming to your statement, you say that agriculturists usually get finance at 9 to 12 per cent.?—The village *shroffs* get money at 6 per cent. and they charge 9 to 12 per cent. on the advances made to agriculturists. The rate depends on the credit of the agriculturist, but it never exceeds 12 per cent. They do not charge 24 per cent. as is done in the Punjab.

8938. You said that you finance the exports and imports of Ahmedabad. When cotton comes here, do the merchants come to you for money for buying the cotton?—Merchants outside the city of Ahmedabad open accounts with us in the season for financing their purchases, and most of these merchants have their accounts with one or other *shroff*.

8939. When they purchase cotton and send it to Bombay, do they get money from you if they require any money during the interval?—If they require it, they might go to the *shroffs* and make arrangements for overdrafts.

8940. If the purchaser sends a *hundi* from Bombay, where is it discounted?—He might discount it in his own place, or he might come to us.

8941. You say in your statement: "The rate of interest on loans in villages depends on the rates charged by the city *shroffs*, which depend on the bank rates, which again depend on the Imperial Bank's rate." You said that your rate varies from $4\frac{1}{2}$ to 6 per cent., but the Imperial Bank's rate is 7 per cent., so your rate does not depend on the bank rate?—In the season it will depend on the bank rate. The position will be that if the Imperial Bank's rate has gone high, there will be scarcity of money all round. And since the opening of the branch of the Imperial Bank in Ahmedabad, whenever there is scarcity of money in Bombay, the Bank pays 7 or even $7\frac{1}{2}$ per cent. on deposits, and naturally when we pay only $4\frac{1}{2}$ to 6 per cent, the money will go to the Imperial Bank.

8942. Do you not raise your rates on deposits at the same time?—We do not raise them, and our business is contracted.

8943. As a business proposition, what makes you not increase your rate?—I think in the history of our Association it has not been more than six annas or $4\frac{1}{2}$ per cent. for our inter finance. Last year it was raised to six per cent.

8944. Is it six per cent. since then?—No; at the present moment, it is $4\frac{1}{2}$ per cent.

8945. Are any *mudati hundis* issued here?—No.

8946. Were they not in use before?—They were in use many years ago.

8947. Why are they not used now? Are they not good for trade?—They are good, but the Government is charging much as stamp duties.

8948. Would the reduction or the abolition of stamp duties make *mudati hundis* popular?—*Mudati hundis* were in vogue for about 25 years and they might again be revived.

8949. Do you know any special reason, which made them disappear?—The reason seems to be this, that when the *hundis* were discounted with the Imperial Bank and other banks, the Imperial Bank began to enquire into the stability of the people, which they disliked, and people did not like to go to the Imperial Bank.

8950. Do you not discount *mudati hundis* amongst yourselves?—At the present moment, we do not.

8951. Did you do it formerly?—Yes.

8952. Do you find any difficulty in recovering the money advanced by you?—No.

8953. Do you publish your accounts?—No, because we have our own private business.

8954. Supposing one of your clients wants to see your accounts, would you object?—No, he can see himself.

8955. You say that *shroffs* would be more useful to the public than the joint stock bank, if certain facilities are given to them. What are those facilities?—In the first place, we
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do not like the practice of the Income-tax Office. They examine our accounts, and prepare a detailed list of depositors who receive interest, and directly issue a return to them, and these depositors have to satisfy the Income-tax authorities that their income is not up to the standard, and, therefore, they cannot be assessed. If they deposit in the banks, they are not troubled by the Income-tax Office, because they do not examine the accounts of banks, and, therefore, people like to deposit with banks. Supposing a man from outside the British territory has earned interest on deposits, the Income-tax Office will issue a supplementary return and recover the money from us. That is a very great handicap, and it is one of the reasons why we are not able to compete with joint stock banks.

8956. Is that because the joint stock banks publish their balance sheets and get the accounts audited by chartered accountants? Do you think the *shroffs* would be prepared to get their accounts audited by chartered accountants and get these facilities?—I do not think there would be any objection to have our accounts examined, provided there is commensurate profit.

8957. *Mr. Kamat*: You told us of the ways of the Imperial Bank that they send a clerk to enquire into the stability of the merchants and there is no contact between them and the *shroff* community. Can you suggest a way how to bring about this contact? I think, there are difficulties that many *shroffs* do not know English?—If there is greater intelligence in the *mofussil*, at least the contact could be brought about.

8958. We have been told that *hundis* have not been very much respected by the banks because they are not standardised. There are some defects in the *hundi*. Do you accept this idea that, if the *hundis* are standardised, so that banks can understand the *hundis* better, there would be better business between banks and *shroffs*?—So far as I understand, I have not heard about *hundis* being not understood by banks. There is generally one form of *hundis*, and ninety per cent. of *hundis* are on the form approved by the *Shroff Mahajan* Association in Bombay and the *Shroff* Association in Ahmedabad, and looking to the volume of business they are doing in *hundis*, I do not think there is any difficulty about this.

8959. Are there any *shroff* associations except in Bombay and Ahmedabad? Are you all organised?—We know of none.

8960. *The Chairman*: One has recently been started in Sholapur?—Yes.

8961. *Mr. Kamat*: As the *shroffs* have been financing the trade and industry of the country, do you not think it would be better if there is an organisation all over the country?—It would be better, if it is feasible.

8962. About the volume of deposits which you receive, you said the difficulty was the trouble given by the Income-tax Department. But, besides that, so far as your own ways are concerned, do you not think that your ways are rather old-fashioned ways of doing business. For instance, the middle-class people hardly know how to select a *shroff* who is sound, and probably all the money, which goes either into the postal cash certificates or in other banks, would go to you, if you are known to the middle-class people?—We are not prepared to say that we are the most up-to-date organised association. There may be defects.

8963. If there are defects, would you not like to be up-to-date?—Certainly, we would; any suggestions of that sort would be welcome.

8964. Supposing your accounts are audited by chartered accountants only, would that be a help towards mutual understanding? Would you then be able to attract the

deposits from Government servants, salaried people and so on?—I would rather suggest that it would be better if there is an organisation of people who are doing purely banking business, that is, borrowing and lending money, and get themselves registered and get some facilities so that they may be able to compete with banks. I think, it will be a very good idea, and even those people who call themselves *shroffs* will have their accounts audited.

8965. Do you think in case of village money-lenders also some sort of regulation would be desirable?—I think, his income would be devoured by the chartered accountant.

8966. It may be a chartered accountant or some other inspection?—Provided they are generally honest.

8967. *Mr. Desai* : You say that the Imperial Bank does not lend money, and that the Imperial Bank and other banks play an insignificant part in financing the trade of Gujarat. If the Imperial Bank does not want business, what is the necessity of it?—The Imperial Bank wants to receive money, and it does not want to lend money. There is no necessity of the Bank here. It is mainly for Government and not for the trade.

8968. Supposing, if instead of opening a branch of the Imperial Bank, indigencous bankers are appointed agents of the Imperial Bank, would it be better?—It would be better and it would be less costly.

8969. What would be the difference in expenses?—There would be 80 per cent. less expenses.

8970. And you would get all facilities?—Yes.

8971. Does your business suffer on account of lack of facilities?—Yes. If facilities are given to us, more business can be done by us, and we can advance to agriculturists at cheap rates, and the traders would also be benefited.

8972. Would the mill industry be also benefited?—The mill industry is financed by *shroffs*. Every mill has an account with *shroffs*.

8973. Do *shroffs* work as clearing agents of the mills?—Yes.

8974. Do they also receive deposits?—Yes.

8975. You said that the Imperial Bank discounts *hundis* at low rates. How does the Bank compete with you, if the Bank has to incur much expense?—The Imperial Bank has treasury facilities, and it has Government money at its disposal free of interest.

8976. The treasury facility is a public facility; is it not?—Yes; it is a rate-payer's facility.

8977. If such facility is given to you, will you be able to compete with the Imperial Bank?—Yes.

8978. There is another scheme before the Committee that *shroffs* should be registered. It has been suggested that if the Reserve Bank is established, it would be a bankers' bank, and the joint stock banks would be able to get money, but the Reserve Bank cannot advance Government money to *shroffs* on account of not knowing the stability of the *shroffs*. Do you think *shroffs* would agree to get themselves registered, if such facilities are given to them?—I do not think there would be any difficulty in registering those *shroffs* who do only banking business.

8979. Some years ago there was the Bombay Bank here, and now there is the Imperial Bank. There was Indian management in the Bombay Bank. Was the Bombay Bank

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doing better business than the Imperial Bank?—Yes; the Bombay Bank was doing good business on account of the Indian management. Mr. Khushaldas Patel was the Manager of the Bombay Bank, and we learned to go to the Bank through him. He resigned ten years ago.

8980. So ten years ago the relations of *shroffs* with the Bank were better?—Yes; but now we generally do not go to the Imperial Bank.

8981. About the Income-tax Department, you said that your accounts are seen in detail by the Income-tax Office, which is not done in the case of the Imperial Bank. Is there any difference in the Act?—We know of no difference; the Act provides no difference.

8982. Is there a difference in working?—Yes.

8983. If stamp duty on time *hundis* is abolished, do you think the trade would be benefited?—Yes.

8984. Is it possible?—We think so.

8985. Is there anything like a clearing house in Ahmedabad?—We have a very good system of clearing house amongst ourselves without any charge.

8986. Since how long does it exist?—Time immemorial.

8987. Before the English clearing system was introduced?—Long before that.

8988. Have you any particular place where you meet?—We meet in Maneekchowk bazar. The bazar is the clearing house. There is no difficulty.

8989. *Professor Kale* : It is proposed, as you are aware, to start a central reserve bank and it is intended this this reserve bank should control the whole finances of India. It is desirable that indigenous bankers should also get the same facilities from the resources of the bank as joint stock banks would get. Have you thought over this matter, and have you any concrete suggestions to make as to how you should form a part of the whole national system of the banking, so that you would also get the same facilities as the joint stock banks would do?—We have had no questions put before in the questionnaire and we have not thought out on the subject, but we shall be glad to express our views if invited to do so.

8990. *The Chairman* : Please send us a note after consideration as to how to make the whole system one. Will you please also send us a note stating how your clearing is done?—Yes.

8991. *Mr. V. L. Mehta* : Have you any cheque system here introduced among *shroffs*?—We have *chithis*, which are negotiable.

8992. Does the Imperial Bank make any difference either in giving or taking drafts between *shroffs* and ordinary parties?—No.

8993. Wherever there is no branch of the Imperial Bank, do you get any facilities through the treasury?—Not through Government treasury. In big *talukas hundis* are sold, and in other places, we have to take notes. If we get treasury facilities, it would be better.

8994. Will you be able to take advantage of these facilities if they are provided through sub-treasury?—Yes.

8995. Have you any connection with Bombay *shroffs*?—Yes.

8996. There is a local committee of one bank here. Would it be advantageous if there are such local committees?—If they have a final voice in some matters, it would be of some use. If there are local committees associated with the local branches, the business of *shroffs* would certainly be facilitated.

8997. *The Chairman* : You say the Imperial Bank does not do much for the *shroffs*, but does the Imperial Bank not advance money to big merchants against cotton?—We do not think so.

Note.—At the conclusion of the evidence the witnesses desired the Committee to note that there should be an amendment of the Negotiable Instruments Act such that the *hundis* also receive the same protection as cheques and that the character of the *hundi* conforms with “once a bearer, always a bearer”.

(The witnesses withdrew.)

**Written statement of Mr. RAM RAI MOHAN RAI MUNSHI, B.A., LL.B.,
General Secretary of the Indian Farmers Peasants Federation
with delegation of representatives of village money-lenders and
agriculturists.**

SECTION I.

QUESTION 1.—Money is usually available for these purposes by *taccavi*, the village money-lenders and in some places co-operative bodies.

The rate of interest is from six to twelve per cent. The period is generally from year to year, though accounts are often cast every three years. The Imperial Bank and the joint stock bank play no part. The town bankers very rarely help. The Government aids occasionally with *taccavi*. Only the village money-lenders as a rule, and co-operative bodies in those villages where they exist, are helpful to cultivators. No estimate of the financial requirements can be given as it involves several factors in a detailed administrative inquiry.

QUESTION 3.—The value varies according to the crop it grows, the amount of yield, the site, the water facilities, and the quality of the soil. It may be anything from Rs. 50 to Rs. 200 per *bigha*.

QUESTION 4.—No restrictions. But land given on new tenure (*nava karar*) is not mortgageable. There are no mortgage banks here. Land mortgage banks are being tried in Madras and Broach locally.

(a) Reference is easy even now, but mistakes do occur on account of the negligence of the village officers and parties concerned. With better education the same system will be effective.

(b) The co-operative societies are aided by revenue authorities and have some sort of foreclosure privileges, but the instance of Matar *taluka* proves that foreclosure is not practical, and the whole amount is irrecoverable in cash except in small instalments in good crop years.

(c) Registration charges may be waived, and if revenue authorities help, no process of law at civil court will be required, but the result may be ruinous by failure of recovery. The registration limit may be extended to Rs. 200 which will effect a saving in costs,

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and trouble to the cultivators for loans in their village. In the present state of education and social habits, such banks must entertain great risk of loss. Land would be a safe security individually but not collectively, because if cultivator debtors combine in non-payment the security will be as bad as stock which is not marketable. If Government guarantees it must be prepared to pay and write it off.

QUESTION 5.—The village of Gatrud has enormous liabilities. A statement will be given at the time of oral evidence. The village officer or school-master can obtain the necessary information.

QUESTION 6.—These questions were dealt with by the Royal Agricultural Commission to whom we submitted a memorandum.

QUESTION 8.—The Dekkan Agriculturists' Relief Act requires complete abolition. It has been the ruin of agriculturists.

The prolonged delays of civil suits and recovery of even small loans have stiffened credit. This may be remedied by giving small causes powers to *taluka* civil courts up to Rs. 500 as also by prescribing a summary procedure under the civil procedure. The agriculturists and money-lenders are against giving any powers to revenue authorities in civil matters.

This is right considering the present education in villages and the arbitrary methods of revenue authorities, but I personally think that with wider and more efficient education as also by a change of policy and functions and purposes of revenue authorities the subordinate revenue administrative system can be made more helpful and beneficial for village prosperity.

QUESTION 9.—There is no exorbitant interest as a rule, and hence no use of the Usurious Loans Act. Legislation for money-lenders is not advisable at the present stage and must be very guarded in its proviso.

SECTION II.

QUESTION 1.—The village money-lender is the only resource of the village. His business is small loans, grain business, sometimes cloth business also and occasionally a sort of general provision stores also.

QUESTION 3.—There are *shroffs*, *mahajan* in towns, but no organisation for villages. The banks do not give any support to village money-lenders as such.

QUESTION 5.—The usual method is to allow small sums up to Rs. 200 or 300 on book entries and often a *khata* book of promissory notes is also kept. The interest is from 6 to 7½ per cent., and in case of bad customers 9 to 12 per cent. at the most. It is repayable at the crop time. These money-lenders have their private finances. They take deposit from local village cultivators or widows. The interest rate on such deposit is from 4½ to 6 per cent. The marginal difference in such cases is their profit including risks of loss, but village business has become more taxing to the cultivator on account of the Dekkhan Agriculturists' Relief Act which tempted the cultivator to evade his liabilities.

QUESTION 6.—Payment in kind also takes place. The normal rate is 6 to 7 per cent. No organisation can reduce it and it is not excessive. The Government *taccari* implies compound interest, and if Government help, it must be prepared to compromise also and a liberal system with reasonable rules must be framed. The system of *taccari* also

QUESTION 7.—There is no prejudice. No special protection except the usual civil law. The exemption of documents of Rs. 500 and under from stamp and registration charges may be helpful in reducing the cultivators' burden. Court fees for claims from cultivators for amounts below Rs. 500 may be reduced to half the statutory fees of Rs. 7-8-0 per one hundred.

The defects are the opportunity of taking advantage of the cultivator's ignorance, illiteracy, need and folly. Education is the only remedy, because the lower classes are being fleeced by money-lenders on account of their habits and follies.

The process of recovery of village debts of cultivators may be simplified with better education. *Panchayat* courts may prove useful, but not at present. The Courts Act also may be revised for helping the recovery of cultivators' debts, but there is a divergence of views in the delegation in this matter and they are afraid rightly that such powers are more likely to be abused by the revenue subordinates.

QUESTION 9.—They have neither sufficient capital nor good security as a rule.

QUESTION 10.—A federated peasants' bank with provincial headquarters and *taluka* branches may be helpful with local directorates representative of both money-lenders and agriculturists. A suitable method of selection can be devised to secure proper and honest men.

QUESTION 11.—It must flow to the town if on account of bad security it cannot be invested in villages.

General Note.

The cultivators and villages can become prosperous only if the subordinate revenue system and its standards and functions were to be altered with a similar change in the educational system also. The school master, the trained village officer, and the *taluka* superior officer, all fully trained for village and agricultural welfare work, may help to improve agriculture, village industries and rural prosperity.

Oral Evidence.

8998. *The Chairman* : Mr. Munshi, you are a practising pleader here ?—Yes.

8999. You are also the General Secretary of the Indian Farmers Peasants, Federation, Ahmedabad ?—Yes. The Association came into existence in 1924 and 549 villages have been affiliated to it.

9000. How are the villages affiliated ?—They are affiliated in this sense that two representatives are appointed by each village. They forward whatever complaints they have to forward for redress to us and if we want the villagers to do anything, we send a communication through these two representatives.

9001. What are the objects of this Federation ?—To make the peasant intellectually, economically, socially an efficient patriot and citizen of India ; to organize the peasants in the provinces and *talukas* of India for co-ordinated activities ; to educate, train and discipline the peasants in India for improved economic productivity and social usefulness ; to secure relief against burdensome and iniquitous taxation and law and to secure beneficent legislation to promote the well-being of the peasants. The President of the Committee is Lady Ramanbhai Nilkanth. The members are : Rao Bahadur Bhimbhai R. Naik, M.L.C., Dr. N. K. Dixit, M.L.C., Mr. H. J. Amin, M.L.C.,

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Mr. W. S. Mukadam, M.L.C., Mr. Motilal Harilal, merchant, Mr. Sakerbhai Lallubhai, merchant, Mr. K. N. Desai, M.A., LL.B., and I am the General Secretary. Also I am the President of the Village Officers Union and the editor of the "Khedut" (a peasant periodical). The headquarters are in Ahmedabad.

9002. Is this federation for the whole of Gujerat?—Yes. Propaganda is done through the periodical called "Khedut" of which I am the editor. We have certain connections by correspondence and representations with the Government of India, the Government of Bombay and the local authorities. The basic principles are rapid constitutional progress with legislative and administrative reforms for intensive rural alleviation and uplift—educational, physical, social, economical (agricultural improvement and village industries). Our local programmes are (1) a College of Agriculture for Gujerat, (2) a school farm for every *taluka*, (3) a school in every village, (4) text books and training with new standards of education useful for farmers, (5) water facilities for agriculture, (6) good roads for village communications and (7) a peasants' bank. Here is a summary of our activities and certain authoritative work which we have done. They are : (1) representation on the legislature of agricultural labour as apart from factory labour, (2) agriculturist's representation on Statutory Commission, (3) Flood relief—enquiry, preparation and presentation of statistics with statements of requirements to the Governor, the Government of Bombay and the local authorities, (4) Small Holdings Bill, collected village opinion and organized opposition to the Bill. The Bill was dropped by the Government, (5) Charter of Rights presented to the Government and the Simon Commission, (6) several small local reliefs for farmers and villages. We gave evidence before the Royal Agricultural Commission and the Education Committee of the Bombay Government. Also we submitted our draft reform constitution to the Government of India.

9003. *Mr. Kamat* : For how many years have you been working amongst peasants?—I have been working amongst the peasants for the last 14 years.

9004. *The Chairman* : Where do you get the funds from?—From friends.

9005. In your statement you say : "The period is generally from year to year though accounts are often cast every three years"?—My friend Mr. Ambalal Bapulal who is the vice-president, *Taluka* Local Board, will bear me out when I say this. The reason is that for three years the period of limitation runs, *i.e.*, it is a sort of continuing account for a period of three years.

9006. You say, "The town bankers very rarely help." Is this an error?—No. In this also my friend will bear me out. I am prepared to say it on oath.

9007. If they have credit why should not the town bankers help them?—So far as I know the rate of interest in the villages is 6 to 9 per cent., while in Ahmedabad the *shroffs* lend money at 9 per cent., to local people. The rate between a *shroff* and a *shroff* is 6 per cent. But if it is borrowed for a long period, it is not more than 9 to 12 per cent. My experience is that the rural rate of interest comes to 7½ per cent., and therefore an agriculturist will not be able to pay 9 per cent.

9008. Further you say : "Registration charges may be waived, and if revenue authorities help no process of law, a civil court will be required but the result may be ruinous by failure of recovery." Will you please develop this point? I want to know how the result may be ruinous?—At present under the Mamlatdars' Court Act a landowner who is called a superior holder has a right of recovery of his rent from an inferior

holder. If the Act is so amended as to give the *mamlatdars* a right to try small civil litigation much of the delay can be avoided. But as I have later on said the bankers themselves as well as the agriculturists are against it. They have expressed it definitely to me, for this reason they think that there is too much speculation and want of proper justice in the revenue codes and, therefore, they will prefer the delays of a civil court rather than go to a *mamlatdar's* court. So this proposition is not practical just now. The result will be ruinous by failure of recovery in this sense.

9009. You say something about the village of Gatrad?—The representative here from that village is one Mr. Tejaji Jasaji. He is a big landholder of 150 *bighas*, and he prepared last time an *annewary* statement and in this statement he mentions that the total population of the village was something about 1,400; there were 110 ploughs and the total debt was Rs. 1,25,000. The total acreage is 3,470 and the assessment is of Rs. 10,000. The portion of acreage actually under cultivation is only 1,450. The *taccavi* debt to the Government is a sum of Rs. 540. They have about Rs. 900 as a sort of miscellaneous fund.

9010. Does the figure of Rs. 1,25,000 include the *taccavi*?—No. This sum of Rs. 1,25,000 is due to *sowcars* only.

9011. How did you arrive at this figure?—Last time Mr. Tejaji Jasaji worked out this figure by going from house to house.

9012. For what was this debt incurred?—This was incurred on account of marriage and death ceremonies of old people who died and much of the debt is hanging on their heads since the famine time many years ago.

9013. And still they go on spending on marriages and funerals?—They think they will go to salvation by that.

9014. The amount of interest they are paying is Rs. 31,000. Have these people given up cultivation and gone to Ahmedabad or some other places to work?—They have not sold away their lands, but for want of means they are not able to till them.

9015. But have the owners left their lands?—No. They are there. They still hold the lands.

9016. What do they do with the lands?—The lands lie fallow.

9017. How many *khatedars* are there?—300.

9018. It seems they are not cultivating even 5 acres on an average?—Mr. Tejaji himself put in some guava and lemon plantations but he failed miserably. I assert that if you want to make enquiries regarding their indebtedness and all that, then the village officer or the school-master can do it. My impression is that, the village officer and the school-master are always quarrelling. But it is the school-master who will prepare a more reliable statement than the village officer.

9019. Are there any *sowcars* in his village?—There are two *sowcars*.

9020. Do they still advance money?—Yes.

9021. But there must be some cultivators at least who have no debts?—There are about two or four *khatedars*. I think that much of the debt was incurred during the last year because of the failure of the rice crop. About co-operative societies my impression is that in those villages where societies have been started the rate of interest has exceeded the rate which was current before the co-operative societies were introduced. I have the

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village Aslali in view in this connection. In this village the local deposits of widows which used to go to village money-lenders are now going to co-operative societies with the result that the village money-lenders have no better financing, and, therefore, he has to increase his rate of interest for agriculturists. Before the co-operative society came in this village the rate of interest was $4\frac{1}{4}$ per cent. I also strongly resist any State help both from the administrative point of view and from the recovery point of view. In Dhanduka for the last 17 years *taccavi* has not been recovered for the simple reason that crops do not give a good yield every year and the cultivators generally feel that it will be written off. There are also no remission rules for *taccavi*.

9022. You suggest the formation of a peasants' bank?—Yes.

9023. Would it be a joint stock bank?—I would have a bank financed by Government.

9024. Do you want that all the funds should be given by Government?—Yes. My point is that the agriculturists will not pay any interest.

9025. And this has to be managed by agriculturists?—No. I would suggest for every *taluka* there might be a local bank on which there might be two representatives of money-lenders and two representatives of agriculturists and they might advise the local manager.

9026. They would take no responsibility?—This could only be done when we establish a sort of *taluka* money-lenders' association and compulsorily get them registered.

9027. Would they take the liability then?—They would borrow money from the bank for which they would be personally responsible to the bank, and they would in their turn lend to the village people. If this can be done they will have easy finance. They say that they have no money. If they have more money, they will certainly lend on much easier terms.

9028. *Professor Kale* : You said that in Aslali village the rate of interest was $4\frac{1}{4}$ per cent. before the coming of the co-operative society ; are you sure that it is $4\frac{1}{4}$ per cent. ?—Yes.

9029. What I am putting to you is this that though $4\frac{1}{4}$ per cent. may be the nominal rate, generally when a man borrows from a *sowcar* the latter manages to add something to the charge indirectly, if not directly. Therefore the rate of interest may ultimately not be $4\frac{1}{4}$ per cent. ?—I say that Aslali in this district holds the reputation and no *sowcar* would dare play any trick there.

9030. Before you affirm that in Aslali the rate of interest was $4\frac{1}{4}$ per cent., would not further enquiries be helpful to find out whether it was the nominal rate ?—It is the exact rate.

9031. Because elsewhere we find that they charge indirectly ?—Yes. They take a note for Rs. 100 and give Rs. 90 only.

9032. And some village *sowcars* are also shop-keepers and when they sell seeds, etc., the prices they charge may be higher than at other places. In this way they will be making up for their low rate of interest ?—In Aslali it is not so.

9033. About the question of redemption of debts, it appears to me that there should be more education and social reform before it is undertaken, as otherwise if a bank is started and people spend, as you say, upon marriages and other ceremonies, any amount of such banking facilities would be of no assistance to cultivators ?—I said so before the

Royal Commission on Agriculture that there should be compulsory adult education programme for 10 years, and if nothing happens to the cultivator during the interval that itself would be a sufficient compensation for all the expenses he incurred. This will cure most of the evils of exploitation.

9034. *Mr. V. L. Mehta* : In your scheme for an agricultural bank or a peasants' bank, you said in reply to the Chairman that you objected very strongly to any State loans being given out because somehow people think that these need not be repaid. If this proposed bank is to be run by officials and its funds are to be provided by the State, would not the same objection apply?—There must be legal responsibility attached to it. The money-lenders who borrow from the bank and who in their turn distribute funds to the village people will be responsible to the bank. In that way the security for the finance of the State will be guaranteed.

9035. In order to enable the money-lender to cover all risks a certain margin will be allowed to him, is it not?—A margin of one per cent. can be allowed.

9036. Would you not allow him to have a margin of more than one per cent.?—No. There will be some rules framed, and one of the rules of obligation will be that he cannot have a margin of more than one per cent.

9037. If you have a bank of this type, is there no need for a land mortgage bank?—No. If you start a land mortgage bank, until the cultivator ceases to spend, it will be hopeless to recover the amount and that land mortgage bank will succeed in lending but not in recovering the money.

9038. Is not reduction of social expenditure, to which you refer, also one of the items in your propaganda?—Yes.

9039. In reply to question 8 you suggest something about giving small causes powers to *taluka* civil courts upto Rs. 500. We have had some suggestions made to us that the present powers of village *munsiffs* should be increased. What is your view?—No, I do not approve of this.

9040. You would like to go to regular courts?—Yes.

9041. *Mr. Kamat* : Under your programme do you emphasize the introduction of better agriculture or do you only ventilate your grievances?—It is a local affair.

9042. You mean the introduction of better seed, etc.?—Yes. But the holding is so small that it is not possible to have intensive cultivation.

9043. You said you were opposed to small holdings?—Yes, for this reason that in Kaira there are holdings to the amount of more than 7,000 acres. A widow in Kaira lives on half of an acre with a buffalo.

9044. You also suggest that improvements could not be introduced on small holdings?—Therefore I say as in the Punjab a co-operative consolidation scheme may be adopted and the *khatedars* themselves might mutually agree on a voluntary basis by arriving at an understanding.

9045. So your hope is through a voluntary method rather than by legislative measures?—Yes.

9046. Are you prepared to give certain summary powers to civil courts?—Yes.

9047. What summary powers would you give them?—Upto now the *taluka* civil courts have power to decide cases to the extent of Rs. 200 at the most. But if powers

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were extended to the extent of Rs. 500, then much of the cost of litigation will be decreased.

9048. Would you regulate the money-lenders' transactions by a Money-lenders' Act or anything of this sort?—We tried indirectly to regulate their transactions through the Dekkhan Agriculturists' Relief Act and nothing has been a greater curse to a cultivator. It has made him a fraudulent person.

9049. But how would you put a stop to such a state of affairs?—As I said, this state of affairs could be cured by education and by a better subordinate revenue system.

9050. You know that now that in a village the money-lender is the person who finances all crops. How would you link up the village money-lender with the town *shroff* or with a bank? Have you any idea about it?—The town *shroff* at present does not lend money to the village money-lender, but the banks might do so if they are induced to give money and if proper security is found; they will do it in this sense that if the Government passes a Money-lenders' Act in which under certain rules and regulations only certain money-lenders will be helped by the Imperial Bank or by a joint stock bank, then on this regulation only a registered money-lender will have the facility from the bank and the bank should give him money at $4\frac{1}{2}$ per cent.

9051. Under these conditions you would like to help him and have him registered?—Yes.

9052. Your proposal is to have a peasants' bank. How is it to be co-ordinated with the co-operative banks?—It is quite possible to co-ordinate it. At present the difficulty is about finance with co-operative societies. So they might be given large resources and they might help in this purpose where there is a sort of a co-operative consolidation scheme. And secondly, there are hundreds of acres lying fallow and co-operative colonies of villages can be formed where people can be sent to work.

(The witness withdrew.)

The Committee then adjourned till 11 a.m. on Sunday, the 1st December 1929.

Sunday, December 1st, 1929.

AHMEDABAD.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Professor V. G. KALE.

Mr. V. L. MEHTA.

Mr. B. S. KAMAT.

Mr. R. P. MASANI (*Secretary*).

Mr. PURSHOTTAM LALLUBHAI BAWLAWALLA of Bavla.

(*Summary of Replies to the Questionnaire in Gujarati.*)

Some small merchants of villages, who have taken the *kapas* from the agriculturists towards the repayment of their dues, sell it to merchants in Bavla. Agriculturists of good condition sell their cotton to the merchants in Bavla, but merchants have to bear the customary charges of the village.

Some agriculturists sell their cotton to the merchants or gin-owners in Bavla through brokers.

Cotton is ginned by turn according to the numbers given to the owners of every heap of cotton brought to the gin by them. In the same way the loose bales are pressed into *pacca* bales by turn.

The places from which cotton comes to Bavla are : (1) Dholka, (2) Sanand, (3) Viramgam and (4) certain villages of Kaira district. Chiefly it is sold to the mills of Ahmedabad while a small part of it goes to Bombay.

There is no *hundi* business in Bavla.

Ordinarily the rate of ginning is Re. 0-10-3 per maund of 40 lbs.; but when there is competition among the gin-owners due to internal jealousy, the rate goes down to annas 6 per maund of 40 lbs. When they unite together and form an Association, it is annas 14 per maund of 40 lbs.

If the agriculturist has brought the cotton to the gin and if he has credit, he gets advances against his cotton.

Oral Evidence.

(*Summary of Oral Evidence in Gujarati.*)

I am a merchant. I purchase *kapas* and gin it and sell the cotton. I have lands in Bavla. The *kapas* is brought to Bavla from three or four *talukas*. The agriculturists who are indebted to the merchants have to sell the cotton before it is ripe, and they lose eight to twelve annas per maund. The cultivator has to sell his produce at harvest time at a considerable sacrifice to pay the assessments in January because the crop is

Mr. Purshottam Lallubhai Bawlawalla.

ready in February or March. Most of the agriculturists sell cotton in the villages to the merchants. Some good agriculturists go to Bavla. There is no competition among the buyers; on the contrary, if there is more cotton the agriculturists get less. The Ahmedabad millowners buy from merchants, and if the price goes down they make a *karda*, and the agriculturists are ultimately affected. The agriculturists get money immediately from the merchants. There are customary charges, such as *dharmada*. There are no big agriculturists who can sell to mills directly. The merchants sell cotton to the mills through the *dalals* in Ahmedabad. The agriculturists do not know the market prices.

If the assessment is postponed till March, the agriculturists would not suffer the loss, because they would be able to sell the crop when it is ready and pay the assessment from the sale proceeds.

The *sowcars* advance money to the agriculturists for seed, etc., and there is no condition with the agriculturists to sell their produce to the *sowcars*. But when the assessment time comes, the agriculturists have to borrow money against the standing crop. They charge two annas per rupee interest on the money advanced, and those agriculturists who are indebted have to pay three to four annas per rupee, and in the case of those who have absolutely no security have to give one-third of the crop to the *sowcars* as interest. The agriculturists in Bavla are very poor. Ninety-nine per cent. of the agriculturists sell their cotton in the villages to the small traders, who bring it to the gin.

In Dholka *taluka* 80 per cent. of the agriculturists have to sell cotton elsewhere, and in Viramgam about 90 per cent. have to do so. Small *talukdars* also do the same.

For the last four years the agriculturists' condition has become worse on account of bad seasons, and they are at the mercy of the merchants.

In Bavla there are about nine gins each having three or four partners, and there are about six or seven other merchants. Cotton is ginned by turns in the order in which it is received.

The merchants meet at a certain place in Bavla, where 50 or 100 carts of cotton are brought. The agriculturists sell to merchants through the *dalals* and they have to pay one anna *dalali*.

(The witness withdrew.)

Mr. M. P. MUNSHI, President, Dholka Municipality.

(Summary of Replies to the Questionnaire in Gujarati.)

Agriculturists generally borrow money from *sowcars* for current needs and permanent improvements. People do not take advantage of Government *taccavi* as it is advanced on joint bond system. *Sowcars* charge 9 to 24 per cent. interest according to the condition and credit of agriculturists.

On account of the Dekkhan Agriculturists' Relief Act, the *sowcars* lend money on the mortgage of land, houses and crops and get a sale deed instead of the mortgage deed.

The co-operative societies do not finance the agriculturists sufficiently, and people do not join the society as they do not want to take the risk of unlimited liability of the society.

About fifteen lakhs of rupees would be the total amount of capital required for Dholka *taluka*.

Agriculturists should be provided with finance at cheap rates of interest, and for that purpose branches of the Imperial Bank or co-operative banks should be started in the interior of the *taluka*.

The value of land in the *taluka* may be estimated at 50 to 200 rupees.

Though most of the agriculturists in this *taluka* are indebted, it is not possible to say the total amount of the indebtedness; but it is absolutely necessary to redeem them from the debt. The debt was mostly incurred for agricultural purposes, by borrowing from *sowcars* or taking Government *taccavi*.

There are very few *shroffs* doing money-lending business in the *taluka*. Persons with credit can get money at 9 to 12 per cent. and loans are advanced against gold and silver ornaments at 6 to 12 per cent. Agriculturists are advanced at 12 to 24 per cent. and they have to pass a sale deed.

There is no branch of a joint stock bank in Dholka. There is only one Co-operative People's Bank. It has been working since last year on a small scale.

There should be some legislation fixing the maximum rate of interest charged by money-lenders, and they should be compelled to keep a passbook and to maintain proper accounts which should be produced in a court of law in case of suits.

Oral Evidence.

(Summary of Oral Evidence in Gujarati.)

I am the President of the Dholka Municipality. I am a cloth merchant; I have cloth shops in Mauritius.

The People's Bank was established last year. We generally finance the small traders and very few agriculturists. The share capital of the bank is Rs. 4,500 and the loan from the bank amounts to Rs. 4,500. People do not deposit money with the People's Bank. In Dholka some people invest in postal savings bank and some deposit in the Imperial Bank and the Bank of India branches.

There are petty *shroffs* in Dholka. These *shroffs* do *hundi* business. The People's Bank does not do *hundi* business, because there is no facility of remitting money immediately to Bombay.

We send money to Mauritius through the Bombay agent who gets advances on the security of the goods from the mercantile bank and other banks. The expenses for remitting money is about 10 per cent., both for remitting money to Mauritius as well as for remitting it from Mauritius. The money is remitted by drafts through the bank. We cannot send the money order for more than Rs. 600.

Taccavi is given on joint bond system for seeds and wells. The *kapas* grown in villages is sold in Dholka or Bavla. Some big agriculturists themselves bring the *kapas*, but mostly petty merchants buy it in villages and bring it to Dholka or Bavla. There are a good number of buyers in Dholka, but there is no competition. The agriculturists suffer a loss of about four to six annas in the rupee. There is *jarap* system on a large scale in Dholka.

There are about a hundred villages in Dholka. And I think about 15 to 20 lakhs of finance would be necessary every month as borrowings for agriculture.

In the Dholka *taluka* there are very few co-operative societies and they are not working well because the managing committee members use money for their own purposes and

Mr M. P. Munshi.

other members cannot take full advantage of the societies. Good men generally do not join the society because they are afraid of unlimited liability. The society should have limited liability, or the members should be liable for the debts of the new members. There should be a classification of members and they should be financed according to their credit.

In the Dholka *taluka*, there is no bank branch, and when the goods are sent through Bombay or up-country they are sent by V. P. P. There are no *hundis* sent from North India, Calcutta and other places.

In the last ten years the seasons were not good and the agriculturists cannot make both ends meet. If there are good seasons they invest in gold and silver ornaments. Very few people invest in postal cash certificates.

The agriculturists in Dholka have to sell the standing crops, and they suffer on account of this *jarap* system. They need finance for agricultural purposes for paying the assessments. The crop is sold in the month of *Vaishakh* and onwards before it is ripe.

Our People's Bank wants to do *hundi* business, but it takes six days to remit the money to Bombay. It is a long period and we want that the money should reach Bombay in a day or two. There is no account of our Bank with the Bombay Provincial Co-operative Bank. There should be a classification of big and small agriculturists and for big agriculturists there should be an agricultural bank in each *taluka*, and a bank in a big village in the *taluka*. The capital would not be available from the village itself. The advantage of such a bank will be taken by all agriculturists. At present on account of the Dekkhan Agriculturists' Relief Act, the agriculturists have to pass a sale deed instead of the mortgage deed. If an agricultural bank is started these difficulties will not arise and the agriculturists will get money at a cheap rate of interest.

(The witness withdrew.)

The Committee adjourned and reassembled at Nadiad on the same day at 2-15 p.m.

Sunday, December 1st, 1929.

NADIAD.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. P. R. CHIKODI.

Professor V. G. KALE.

Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. A. MASTER, I.C.S., Collector, Kaira.

Replies to the Questionnaire.

SECTION I.

QUESTION 3.—This is a question to which it is almost impossible to reply. But it may be said that the average value here is higher than that of the Deccan. In Anand *taluka* the average sale prices of dry crop land in the best villages is Rs. 200 an acre, while that of the worst villages is about Rs. 70 an acre. The factors affecting value appear to be largely skill in cultivation. In the district, communications are good and there is not very much difference between various villages. The prices mentioned are those obtained in sales by private negotiations. In Borsad, the average ranges from Rs. 380 to Rs. 120 and in Kapadvanj from Rs. 50 to Rs. 15 per acre. The figures for rice land are generally about 50 per cent. in excess of the figures of dry crop land. These details refer to the period 1919-20 to 1922-23. As previously stated, the difference in sale values does not seem to be due to climate, communications or the ordinary factors, which are usually held to govern the comparison of natural groups of lands, but to the character and skill of the cultivators, and the social conditions of the neighbourhood. The *patidar* settlers in the newly developed cotton area of Kapadvanj had for a long time an uphill struggle with the *kolis* (*dharulas*) who bitterly opposed their entry on the scene.

QUESTION 4.—I know very little of land banks, but I believe that they would be a great boon to this district. In the first place they should be instituted or guaranteed by Government. They should to some extent replace the *taccavi* organisation and Government could lend *mamlatdars* to the bank as inspectors and business-getters at any rate to begin with. Last year I found that *talatis* and village officers were often very obstructive in the matter of *taccavi* loans, refusing to forward petitions unless given a fee. The attitude of Government is that *taccavi* will be given, if required, but no effort is made to see that all those who need *taccavi* and have security actually receive it. The district officers have many duties and do not encourage cultivators to take *taccavi* or even enquire whether they need it. They have every motive not to increase their work, in view of the many compulsory duties, which are required from them. The land banks need not oust the co-operative societies, which will continue to do useful work.

(a) The Record of Rights is now sufficiently accurate to avoid possibilities of disputes. There always will be disputes, but the bank can always make local investigation and in the last resource refuse loans on disputed lands.

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(b) Foreclosure and sale can be arranged by constituting the *Mamlatdar* of the *taluka* as a Summary Court, not to prejudice application to a Civil Court. The *Mamlatdar* will be relieved of part of this *taccavi* duties and should be able to undertake this extra work. If work was excessive, the bank would have to pay for the services of a special officer.

(c) The cost of reference and registration is now inconsiderable and cannot be reduced. If they are reduced the charges incurred on account of defaulters will be met partly at the cost of Government which is undesirable. The working capital of the bank must be met from any source obtainable. Management or close control by Government will attract capital and Government can devote the sum hitherto given out for *taccavi* to the land bank for a certain period until deposits have been attracted. To provide against seasonal calamities the bank should insure with Government on the payment of a premium. Government have built up a large Famine Fund and this should be used to reduce the premium to a reasonably small figure. As regards the actual working of the bank I cannot offer any suggestions, but the Egyptian and other banks will presumably afford sufficient material. My idea is this: Government shall first set up a bank in suitable districts with a board of directors to include the Collector and adequate staff. The necessary working capital shall be advanced from the *taccavi* fund. Debentures will also be issued. Unless the land bank is worked upon a co-operative basis, which I do not advise, Government should retain control. The Registrar of Co-operative Societies can undertake the work of control, until there are sufficient banks to justify a separate Registrar. An Act should be passed regulating the constitution of the banks. They cannot be made into companies, as shares will create a demand for dividends and this is to be avoided. The directors should be well paid and it should be considered whether the banks should be co-ordinated in any way apart from the control of Government. Local directors are essentially necessary, if the operations of the land bank are to be really elastic and extensive. They need not necessarily be local men, but they should reside in the district. It will be seen that the organisation contemplated is Government management through non-officials with private capital. This is very unusual, but it may be pointed out that when business men devote large sums to charitable objects they always insist at first on this arrangement, in spite of the fact that Government usually decline the responsibility. But it is a responsibility that I believe Government should and can undertake. The land bank should not ordinarily lend small sum, under Rs. 1,000. That should be left to private enterprise and co-operative societies. Only two or three days ago in a small village a *patidar* told me that he could usefully employ Rs. 8,000 in partnership with four others, but could not get the money at a reasonable rate. No local money-lenders could risk such a large sum and very few have it for disposal. A bank, on the other hand, finds no profit in dealing with small amounts and would not do so without collateral security. But large sums repay capital investment and do not encumber the accounts. Interest can be anything between the market rate and 12 per cent. which is a normal rate. It would vary according to the size of the loan and the standing of the borrower.

QUESTION 5.—I am not inclined to agree that it is necessary to estimate the existing indebtedness of the agricultural classes. It is quite possible to do so by inquiry from village to village and village records can be used to check the enquiries. The inhabitants of one village generally deal with one money-lender and he would probably be willing to give information of total indebtedness. I have frequently made casual enquiries and find that a debt of from Rs. 150 to Rs. 300 a head is not uncommon among

landowners. But without analysis the figures are useless, as the question indicates and I have no materials before me on which to base an analysis. But supposing that we possessed these interesting economic details, the fact would not help much as regards the increase in credit facilities. The small landowner is very much bound up with his money-lender, who is also his buyer. I do not see how it will be possible to get the credit to the small landowner except through his *soucar*. In any case, I believe that the capital chiefly needed by the agriculturist is that of character, intelligence and capacity to assimilate new ideas. The indebtedness of cultivators is a measure partly of their capacity, partly of that of their forefathers. It is impossible for a thriftless indolent man without land to get into debt. No one will lend him money.

QUESTION 6.—In the district there are—

2	Cotton mills.	1	Oil mill.
34	Ginning factories and presses.	1,088	Handlooms.
3	Dairies.	1	Hume pipe factory.
91	Creameries.	3	Iron factories.
48	Flour mills.	1	glass factory.
1	Match factory.		

A well-equipped Department of Industries might do much in the way of encouragement. But so long as the development of such a Department is handicapped by political demands of Indianisation and communalism, there is no hope of rapid development. There is a natural but slow development which is perhaps more effective than one artificially stimulated. As for enterprises, which may give employment to the farmer in the off reason it is obvious that with the slow growth of subsidiary industries referred to above nothing can be expected as a *deus ex machina*. The kind of thing needed are factories like ice factories which would give employment to labourers in the hot weather. See Ford "To-day and To-morrow". It is very important to distinguish between the farmer and the labourer. If you have set up a perennial factory, the farmer loses his labourers and agriculture slumps. The number of factories that could be set up is somewhat limited. An iron plough factory could supply the whole district but would not employ more than 100 men. But there is scope for great development of garden produce. The Dakor Municipality cannot sell its manure, and it is wasted. Dairy farming could be widely developed, but it needs both capital and business capacity not to mention a sense of machinery. Working capital and proper marketing facilities are useless without proper training in business methods. Capital, I believe, can be obtained easily by an honest and competent man.

QUESTION 7.—I am of opinion that it is now most undesirable to attempt to stimulate the growth of the Co-operative Movement by any concessions. The measures necessary to familiarise the public with a new development are not those which will assist its survival. Bad tea or even good tea cannot be sold merely by giving away presents with it and concessions are only a similar advertising device. The chief need of co-operative societies is honest and capable securities. There are many honest men in every village and several educated men, but there are not enough men who are both

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honest and educated. It is distressing to find that in the whole of the Annual Report on Co-operation in the Bombay Presidency (1928-29) there is not in its 161 pages a single word indicating that it is desirable that co-operative societies should have their own schools. The non-agricultural societies are more successful than the agricultural societies, a fact that, I think, can be inferred from the figures given in paragraph 11 of the report, is due to the superior education of the members of the society as much to the easier facilities of obtaining capital. While an intensive propagandist movement is in process for education in all co-operative villages. Secretaries of co-operative societies should be specially trained and be responsible to the Registrar. The Report (paragraph 110) speaks of the policy of democratizing the Co-operative Movement. This policy is a very doubtful one. The two great parties in the United States of America are divided chiefly on the question of democratization, which the democrats approve and the republicans oppose. And to the Americans democratization means local administration as opposed to central control. I believe that democratization may prove the ruin of the Co-operative Movement. I do not, of course, refer to a democratic political system by which the heads of the Government are popularly elected. The Co-operative Movement cannot, of course, meet the financial needs of the agriculturist. It can only meet the financial needs of the successful agriculturist. The unsuccessful agriculturists should not be financed except to a very limited extent. He should be educated, taught, disciplined, but not financed. Provision for propaganda and training (education) is one of the most important functions of the Reserve Fund.

QUESTION 8.—Any movement to protect the agriculturist naturally restricts credit. The justification for such restriction is that high interest often affects the good borrower as well as the bad. When restrictions are wisely imposed, they are not harmful. I do not think that credit is much affected by legal procedure. The money-lenders will always try to protect themselves and the chief enemy to credit are bad seasons. The Dekkhan Agriculturists' Act does not come to my official notice. The District Judge informs me that in 1928 it was applied to 4,969 cases including 256 regular and 2 special jurisdiction suits. I do not see any useful method of modifying it. Probably the Usurious Loans Act would be just as effective. The trouble is that the landowner is most in need of it, the simple hardworking non-litigious man is the most ignorant. He is between the devil and the deep sea, the *sowcar* and the *vakil*. There should be a special inspector of mortgage and sale transactions for the purpose of educating landowners up to the two relevant Acts.

SECTION II.

QUESTION 3.—The small *sowcar* usually works on a large percentage of borrowed capital which he can get at a figure near market rates. He is obliged to charge a high rate of interest (1) to secure a profit and (2) to compensate him for his risk. In this district the normal rates are anything from 12 per cent. to 25 per cent.

QUESTION 5.—Usually 5 or 10 rupees are deducted from the principal when handed over to the borrower. Thus a man can lose land worth Rs. 200 in four years for a loan of Rs. 100 at 25 per cent. actually receiving only Rs. 90.

QUESTION 6.—Sometimes the indigenous banker can insist on his borrower disposing of his produce through his agency, but if the latter's village lies within 6 miles or so of a market town he chooses his own buyer.

QUESTION 7.—I am not sure that the indigenous banker is sufficiently protected in law. He takes measures, however, to protect himself, which naturally consist of recovering the money lost to the bad borrower from the pocket of the good borrower or the borrower with good security.

SECTION III.

QUESTION 1.—I understand that there is a good deal of life insurance business being done, but the public, as a whole, get unfavourable terms. I believe that the State should extend their scope of insurance, so as to include the general public. This means, of course, a tremendous organisation and a separate commercial department to deal with the matter. There should be closer regulation of existing life insurance companies, which should not be discouraged as it is not necessary for the State to have a monopoly. The question is so important that a special committee is needed to consider it. Investment in land is still a very popular form of investment, but it is open to the objection that it offers no resources for bad times, *e.g.*, the *soucars* in Matar *taluka* are lending very little now in consequence of the heavy debt of the cultivators. Land has lost its value as a security to some extent. Silver and gold are a useful form of investment, because they do not vary much in value, and are easily realisable, but at the same time are not realised except in the case of urgent need. Postal cash certificates are the only effective substitute. For encouraging savings some form of security is needed, which can be realised not without loss, but the loss must be small. Postal cash certificates are very useful, but they should be better advertised. Publicity officers should be appointed to tour in the districts and to induce the people to invest at the same time taking the opportunity to ascertain the reasons why people hang back. The post office will plead that this will involve loss of dignity. But for a commercial enterprise to ignore advertisement is as out-of-date as the movement against machinery. See also reply to next question.

QUESTION 2.—Postal cash certificates are fairly popular. Their popularity could be increased if they were sold by stamp-vendors who would get a small percentage commission. Alternatively there should be appointed a postal cash certificate officer in each district who should tour round the villages to push the sale of certificates. He would have to have a *sanad* countersigned by the *mamlatdar* of each *taluka*. The interest given is of little importance except to those classes, who need an inducement to invest.

QUESTION 5.—The result of opening new branches by the Imperial Bank of India has been excellent. Only the larger traders take advantage of this; however, I do not believe that investment trusts would be of any use except in the larger towns. The scope of the Public Trustee might, however, be enlarged and he should have agents in all the large towns. A Government guarantee is essential. There is no possibility of encouraging investment by the public unless it is accompanied by a form of insurance. This matter is discussed in answer to the question on land mortgage banks.

Matar Taluka.

Population.	56,036
Families	16,000 (approximate.)

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CO-OPERATIVE SOCIETIES.

Analysis of sixteen out of thirty-four societies.

Per cent. of money advanced	Persons	Amount	Remarks
43	284	34,400	Without security under arbitration under Rs. 30.
21	77	17,227	
3	128	2,394	
33	208	26,197	
100	697	80,246 Secured Loans.	

Many of these persons also have

(1) *Taccavi* debt.

(2) Private debt.

Total debt* to Government and societies (8th April 1928) :—

<i>Taccavi</i> Old	84,365
<i>Taccavi</i> Flood, seed	1,31,837
Bullocks	750
Houses	2,81,646
Arrears of Land Revenue	42,787
Co-operative societies	2,77,794
	8,19,179

Private debt, say, 4 lakhs.

Oral Evidence.

9053. *The Chairman* : Mr. Master, you are the Collector of Kaira ?—Yes.

9054. From the point of view of agricultural development can you say that there are certain parts in this district which are more favourably situated than others ?—This district is roughly divided into two parts, the Charotar and the rest. The Charotar is very developed as regards agriculture. The *patidars* are very good agriculturists.

9055. And is the rest of the district on the whole inhabited by *kolis* ?—Yes.

9056. So the problem of finance in this latter part is more difficult ?—Yes.

9057. Is there any large area of land which is still lying waste in this district ?—Yes ; there are some areas.

9058. Why are they not being taken up for cultivation ? Is it for lack of finance that it is not taken up yet ?—In the north of the district there are about 1,000 acres which are being kept as a kind of fodder crop and in the west there is a lot of land which is out of cultivation owing to bad seasons.

9059. Are the cultivators in this unfavourable tract heavily in debt?—It is very difficult to say.

9060. Is there any large area of land given under the restricted tenure?—No, not a very large area.

9061. Do you have here the *bhagdari* or *narvadari* tenures?—Yes.

9062. Do you think that this tenure restricts the credit of agriculturists in the sense that he is not able to borrow?—I should say that it improves the credit. The *narvadari* lands are held by *patidars* who have reputation and who can get money at a reasonable rate of interest.

9063. In spite of the facts that they cannot mortgage or sell their lands except amongst themselves?—Yes. To a certain extent they lend money mutually.

9064. Are they able to raise any capital they require at a fairly low rate of interest?—Yes.

9065. We understand that the rate of interest at which the *patidars* can raise money is comparatively low, while the rate of interest at which the other classes can raise money is very high; is this fact?—Yes.

9066. Is the land held by *kolis* of an inferior quality or does it not fetch a good price on account of its situation?—It is of an inferior quality, but it is very questionable whether this is not partly due to the fact that it is held by *kolis* who are bad cultivators.

9067. To what extent is finance for agriculture being supplied by Government in the shape of *taccavi*?—I cannot give you the details, but I can tell you that the *taccavi* throughout the district is about 26 lakhs.

9068. Does this sum include a large amount given out in famine times or in times of calamity?—This sum includes a very large sum for house loans owing to floods and, of course, we have calamities in this district like floods and cotton failures.

9069. Is much *taccavi* being given out for land improvement?—I cannot tell you.

9070. Is there room for sinking wells and levelling and bunding?—Yes.

9071. If I am correct, your view is that agricultural finance in general should be under Government control?—Yes.

9072. Both for long-term and short-term loans?—For long-term loans I am not quite sure whether it could be controlled by Government, but for short-term loans, it could be controlled by Government.

9073. Your scheme for long-term loans is that the control should rest with Government and a certain number of paid directors. Would these directors be nominated by Government?—Yes.

9074. Will there be share capital?—No.

9075. The capital will be raised either by means of a grant from Government or by means of debentures issued by this board consisting of a Government official and a certain number of nominated directors?—Yes.

9076. Would these directors be non-officials or officials?—If you could not get officials, you could have non-officials.

9077. What responsibility will they feel for the distribution of the loans? They would not be directly interested in the sound working of an institution like this. They will have no responsibility for raising the capital and so far as distribution is concerned

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they will advise, but if there is any loss, would they be responsible for the loss in any way?—No.

9078. And not being Government officials they will not feel the responsibility either. Do you not think that there is this difficulty?—There might be this difficulty. Of course, it depends very much on the personnel of the board, and if they were unsatisfactory they would lose their position; the attraction being to be on the board which in this district is of considerable importance and also their remuneration.

9079. You think that there should be a special legislation for such an institution and that it should not be registered under the Co-operative Societies Act?—I think probably that there ought to be legislation. I do not quite see how it could be worked out under the Co-operative Societies Act.

9080. Perhaps you know when the Royal Commission on Agriculture went into this question Burma had drafted a special legislation. The Commission came to the conclusion that such land mortgage banks can be registered under the ordinary Co-operative Societies Act and can be under the control of the Registrar and they did not support the idea of having a special legislation. You think that a special legislation for their constitution will be necessary?—Yes.

9081. You say in your statement: "The factors affecting the value appear to be largely skill in cultivation". Do you mean that the better class people like the *patidars* would pay a higher price for the land than the *dharalas*?—Yes.

9082. But would not the price of land depend upon its quality and the capacity of production?—Yes, this will be one factor, but the chief factor is the one mentioned by me.

9083. What was the struggle that was going on between the *patidars* and the *dharalas* in Kapadvanj?—There were thousands of acres of waste land about ten years ago which were considered to be useless for anything but grass. It was found subsequently that cotton could be cultivated thereon and a large area is devoted to cotton cultivation. These lands had been used by the *kolis* for grazing cattle and in some villages they had very large areas and the rent was one anna per acre. They were very much opposed to the land being given out to *patidars* and used to harass them.

9084. The *kolis* did not like the intrusion of other people?—No.

9085. Did not some of the *kolis* get these lands?—No, because they had no capital. The land was given to capitalists for development.

9086. You say: "The district officers have many duties and do not encourage cultivators to take *taccari* or even enquire whether they need it." Should not the Agricultural and Co-operative Departments help in this matter?—The Agricultural Department has not the staff. There is only one Agricultural Officer for the whole district and he can devote very little time to go round the villages.

9087. Do you think that if a staff is given either to the Revenue Department or to any of these other departments, there is room for considerable improvement of land in this district?—Yes.

9088. And if there is more room, would not a certain amount of finance be required?—Yes.

9089. I presume in a district like this the average holding is small and to make agriculture paying to an ordinary cultivator, land improvement would be very much necessary?—Yes.

9090. Therefore a considerable amount of long-term finance will be required for the agricultural industry?—Yes.

9091. You suggest: "Foreclosure and sale can be arranged by constituting the *Manlatdar* of the *taluka* as a summary court without prejudice to application to a civil court." Is this for the disposal of applications for foreclosure and sales?—Yes.

9092. In the case of foreclosures and sales of land is it not often the case that there are several interests involved?—Yes, in that case the applications will have to be referred to a civil court.

9093. You say: "The small *sowcar* usually works on a large percentage of borrowed capital which he can get at figures near market rates. He is obliged to charge a high rate of interest (1) to secure a profit and (2) to compensate him for his risk. In this district the normal rates are anything from 12 per cent. to 25 per cent." Does this rate of 12 to 25 per cent. apply also to *patidars*?—No; they can get money at 6 per cent.

9094. But even amongst the *patidars* there must be some who must be paying a higher rate of interest?—Yes, but good *patidars* get money at 6 per cent.

9095. A statement has been made to me that the Imperial Bank attracts the capital by opening branches in *mofussil* which is not utilised in the same place and that there is in consequence a dearth of capital for agriculture and for other industries in the districts themselves. What is your view?—The only thing I can say is that the Bank at Nadiad has been here for a comparatively short time and, therefore, I am not in a position to answer this question.

9096. Is there a considerable amount of trade here?—Yes.

9097. Can it be presumed that during the season the Bank would help the traders, at any rate?—Yes.

9098. Do you think there is any possibility of reducing the high rate of interest which ranges as you say from 12 to 25 per cent.? It must be rather hard to make agriculture paying on capital borrowed at that rate?—For short-term loans the interest, I believe, is very high. I was told it is two annas in the rupee per month.

9099. This rate is on loans made by Pathans?—No; even the ordinary money-lenders charge this rate.

9100. Are there many Pathans in this district?—Not that I know of.

9101. Do you not receive any complaints about Pathans recovering their dues by means of force?—I do not know that. Once I received an application from a Pathan for a gun license.

9102. Do you know if there are any statistics available about any village in this district which would give information about the indebtedness of the cultivators?—I have already sent a statement of indebtedness about Matar *taluka* which has been prepared by some official enquiry.

9103. Is it very heavy?—Yes, it is very heavy. The *taluka* had a series of bad years.

9104. I wonder whether the villages in the canal tract, which were in a bad condition some years ago because they could not get water, have improved now?—No.

9105. Although they are getting a certain amount of water, their position has not yet been improved?—Not very much.

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9106. You say : " The inhabitants of one village generally deal with one money-lender and he would probably be willing to give information of total indebtedness." Can you tell us some way as to how to get this information from him ?—I am afraid I cannot.

9107. Further you say : " In any case, I believe that the capital chiefly needed by the agriculturist is that of character, intelligence and capacity to assimilate new ideas." Are we to understand that you do not think that a general scheme of debt redemption would be a good thing ?—I do not think that a general scheme of debt redemption is practicable.

9108. In the case of big landholders who have credit, character, intelligence and capacity to assimilate new ideas, would it not be a great relief to them if they could get loans at a reasonable rate of interest and pay off in 10 or 20 years their old debts which might have come to them from their ancestors and which are certainly a handicap in their present agricultural operations?—One of the reasons given for the want of sufficient success of the Co-operative Movement is that the agriculturist is in the hands of the money-lender because he has to pay his old debts ; and so long as he does not repay them and goes on borrowing from him again the mere financing him for his current needs does not improve his economic condition.

9109. You say here that for a small landholder who is not economic, it would be risky to finance him ; but for a moderate size landholder who has credit and who is handicapped in his present agricultural operations because of the existence of the load of indebtedness, would it not be right to provide the necessary facilities for his debt redemption ?—The point is if Government had some scheme of debt redemption, it would all depend on the application by the person concerned and probably he would not apply it in the right direction.

9110. You say there is large scope for developing agriculture in this district ?—Yes.

9111. You say that you have here a very fine class of cultivators who go in for land improvement. But the other classes do not go in for it ?—No.

9112. Is it due to their ignorance or want of finance or both that they do not go in for land improvement ?—And also due to laziness.

9113. As regards co-operative societies you say, " The chief need of co-operative societies is honest and capable secretaries." Is it difficult to find secretaries who are both honest and capable ?—Yes.

9114. One suggestion made to us was that instead of each society having a separate secretary a number of societies can combine and rather have a well-paid secretary. Do you think that this course would remove this evil to a certain extent ? At present each individual society is not in a position to pay anything more than a pittance and no man would like to work unless he gets some good return for his services ?—I think this is a good suggestion.

9115. You want co-operative societies to start schools, but where is the money to be obtained from ?—That is the difficulty.

9116. Why should it be necessary for the society to run schools when there is the local board one of the objects of which is the starting of schools ?—It will be too long before the local boards can start schools and the funds at their disposal are very limited. The amount of funds needed to start a village school by a co-operative society is very small compared with the amount the local board has to spend.

9117. You say, "I do not think that credit is much affected by legal procedure." But a good many indigenous bankers who have appeared before us and also a good many village money-lenders have alleged that on account of the Dekkhan Agriculturists' Relief Act which has placed a certain amount of obstacles in their way and on account of the length of time that takes to get any decree passed by a court, they are compelled to increase their rate of interest. Do you agree with them when they say that this legal procedure and the obstacles in their way put by the Dekkhan Agriculturists' Relief Act make them increase their rate of interest?—I doubt it.

9118. Do you know whether agriculturists who have any surplus invest it in the postal savings banks?—I do not know.

9119. We want to find out whether it is necessary to provide any facilities for the encouragement of savings in the villages and if it is necessary to do so, whether the expansion of postal savings system in which it is likely that they may have more confidence being a Government institution, is necessary or whether the formation of co-operative societies will meet the purpose?—But I think more propaganda is wanted.

9120. Even then if they have a desire to place their small savings or withdraw them and there are no facilities, they may have to walk about 10 miles for the nearest post office?—There will be no comparative hindrance being put if they want to withdraw money. In this district the communications are very good and very often they come and go and so this difficulty will not be felt.

9121. *Professor Kale*: You suggest that postal cash certificates should be popularized. Is it your idea that they should be popularized amongst the wealthier landholders or amongst the general mass of people?—Amongst the general mass of people. I would not trouble so much about the wealthier classes.

9122. But it has been stated to us by some witnesses that the poor cultivators will find it very difficult to keep their certificates without losing them and they would be afraid of losing their money?—You can get rid of the difficulty by registering their names just as shares are registered.

9123. And it has been stated further that it is not very desirable that money should be withdrawn in this way from the district into the presidency towns or into the treasury of the Government of India?—Why?

9124. That is because the money is wanted in the district for the purpose of financing agriculture. Also it is suggested that the money withdrawn from a district should be invested in that particular district for agriculture and other purposes?—I quite disagree with such a suggestion. If the Government give *taccavi* and large sums of money from central funds are invested in districts, I do not think the districts can grumble at the savings bank deposits going to the central funds.

9125. The complaint is that *sowcars* and *shroffs* are unable to lend as before at a low rate of interest because there are not sufficient funds in the district on which they can draw; and if we popularize the investment in cash certificates there will be further stringency of capital in the district?—So far as I know the small cultivator does not hand over his savings to the *shroff* for investment. He much prefers to keep it himself and the *shroffs* so far as I have been able to ascertain get their money from bigger *shroffs* who get their money from banks.

9126. We were told by some witnesses that the *shroffs* have their own capital and they have not to borrow from outside. So you agree with their statement?—A few *shroffs*

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may have their own money. I do not see how a *shroff* could carry on his business except on borrowed capital.

9127. Do they take deposits?—Yes, and also they borrow money at a small interest from bigger men.

9128. *Mr. V. L. Mehta* : With regard to the scheme of a land bank, will you have the administration vested in the Collector with a staff of officials under him?—I do not think that I have said that the administration should be vested in the Collector.

9129. You have said: "My idea is this: Government shall first set up a bank in suitable districts with a Board of Directors to include the Collector and adequate staff" ?—The only idea of having a Collector on the staff is that he might be able to give them advice.

9130. Would his voice be final in any case?—No.

9131. *The Chairman* : Would you have him as the Chairman?—No.

9132. *Mr. V. L. Mehta* : Would you wish capital to be raised by means of debentures?—Yes.

9133. Would you like the debenture holders or their representatives to be in any way associated with the management?—I do not think that it is necessary, but I do not know whether the debenture holders will insist or not.

9134. In reply to the Chairman you said that co-operative societies might group themselves into a small circle and then have a paid secretary?—Yes.

9135. You suggest in your statement "Secretaries of co-operative societies should be specially trained and be responsible to the Registrar". Would you not prefer that they should be controlled by a local body like the supervising union or do you think from the point of view of efficiency that they should be controlled by the Registrar?—From the point of view of efficiency they should be controlled by the Registrar.

9136. Have you felt the need in this district of a regulated market for sale of certain crops?—There is a need for it and recently I am trying to reorganize the *taluka* agricultural unions in this district and one of the steps which is going to be taken in one *taluka* is organizing a regular market for groundnut which crop has been recently introduced.

9137. *Mr. Kamat* : Under section III, question 1, you say: "I believe that the State should extend their scope of insurance so as to include the general public." Would you develop this idea as to what the State should do about insurance? What is the tremendous organization you have in view?—What I was thinking of was that the State should undertake the insurance business.

9138. And it should include the rural population in this insurance business?—Yes.

9139. Instead of leaving to the private insurance companies to include such sort of rural business, you want a special State organization?—Yes.

9140. Would not this be a sort of commercial enterprise on the part of the State?—Yes, it would be a commercial enterprise, but insurance companies are not in the strict sense so commercial. Big insurance companies in Europe very often run on some co-operative basis, i.e., if they make profits beyond a certain limit they distribute them to the policy holders.

9141. Coming back to the proposal of yours to have a land bank you suggest: "Unless the land bank is worked upon a co-operative basis, which I do not advise, Government should retain control. The Registrar of Co-operative Societies can undertake the work of

control until there are sufficient banks to justify a separate Registrar". Do you not think that the position of the Registrar would be rather anomalous because his Department is started to be a sort of peoples' movement, whereas you suggest Government control. Would it not conflict with the basic idea of the Co-operative Movement?—No.

9142. Do you think that it would be a sound policy to depend upon private capital but to leave the land bank entirely under Government control without allowing non-officials to participate in that bank?—I have not said that it is a sound policy to depend upon private capital, but I see no objection to it.

9143. Probably the bulk of it might come from private sources?—If it comes from private sources, it is all the better.

9144. But they do not get a proportionate participation in the control?—The general public have no control over Government bonds and so on.

9145. About the encouragement of industries you say: "A well-equipped Department of Industries might do much in the way of encouragement. But so long as the development of such a Department is handicapped by political demands of Indianisation and communalism, there is no hope of rapid development." Do you think that at present the Department of Industries is well-equipped?—No.

9146. Has there been during the history of this Department during the last ten years any stage when the progress was more rapid than at present and it has gone down now?—In the first period the progress was more rapid than it has been recently.

9147. But do you mean to suggest that it is the question of Indianisation which has lowered the progress in recent years? If this is so, I expect it ought to affect other departments as well?—No. It is a matter of progress. It was decided when the Department was in existence for a year or two by the Legislative Council to cut down the votes in order to discuss the fact that there was not an Indian at the head of the Department. At that time there was not an Indian available. Now I believe there is one and he has been appointed. The only point I meant to make was that in the case of a new department of this kind it is important to get the best man whether he be an Indian or a European.

9148. Do I take it that during the time of progress which you just now referred to the progress was due to the European personnel?—I do not mean that.

9149. *Mr. Chikodi*: Can you tell me whether the rate of interest was lower than it is to-day before the Dekkhan Agriculturists' Relief Act came into existence?—I cannot tell you. I presume the rate of interest must have been high, otherwise there would not have been the necessity of introducing the Dekkhan Agriculturists' Relief Act.

9150. Higher than what it is to-day?—This I cannot say.

9151. Are you inclined to say that the Act has been introduced where it should not have been made applicable?—No, I do not say so.

9152. With regard to the Department of Industries you said that it should be well-equipped. Would you kindly enlarge this idea as to how it should be equipped at present apart from the question whether the head of the Department is an Indian or a European?—I do not say the head of the Department should be a European. I say that the head of the Department should be the best man, who will know what to do.

9153. Have you any scheme?—No.

(The witness withdrew.)

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Replies to the Questionnaire.

SECTION I.

QUESTION 1.—The Agriculturists in the Kaira district obtain finance for all their needs chiefly from indigenous bankers and money-lenders and co-operative societies and sometimes from Government as *taccavi*.

The rate of interest charged on advances by money-lenders vary from 4½ per cent. to 12 per cent. The rate of interest charged by co-operative societies from members is generally from 9½ to 12½ per cent. The period of loans advanced by money-lenders is generally not fixed. The loan is mostly in the form of a current account if it be not in the form of a mortgage. Agriculturists who have a reputation with money-lenders get loans without any security, at the end of the year the account is made up and a promissory note for the balance is passed. Those agriculturists, who have lesser credit, get loans for their ordinary needs on the personal security of one or two sureties. Some get advances on the security of their promise to repay from the future crop of their fields or of their fruit-trees. If an agriculturist is in need of a big amount or if he is considered to be not in a position to repay his debts, his immoveable property is taken in security either as simple or usufructuary mortgage.

Government finance agriculture in the form of *taccavi* and very rarely as improvement loan. Generally very few people seek the aid of Government for loans for several reasons. The Imperial Bank of India gives no kind of help to agriculturists. In this district there is no joint stock bank. As stated above, almost all the agricultural finance is supplied by local bankers, money lenders and co-operative societies.

It is not possible to give an estimate of the total amount of capital required for the various purposes for the district. The Kaira District Co-operative Bank finances 135 societies the total number of members of which comes to about 12,000 persons. The societies are mostly found in the poorest of villages and the members are mostly of the poorer classes and small landholders or tenants-at-will. The total finance made by the Bank to these people amounts to more than Rs. 5,00,000. The total population of the district is 710,982 souls living in 552 villages; considering these figures, I think the total amount of capital will rise to several crores.

No information is available as to the extent of finance provided annually in kind.

There are numerous defects in the present system and, though there are several apparent reasons for the existence of such defects, I may say that they are not the root causes of the defects. Unless the causes of the disease be traced out and treated, the superficial treatment becomes worse than the disease. The profound illiteracy, the almost insanitary surroundings, the apathy of Government officers, want of provision of the bare requirements such as water, pasture lands, etc., and such other too numerous to mention, have all their cumulative effect in destroying the backbone of the agriculturists. No amount of special legislation for protecting one class at the sacrifice of another class will in my opinion raise the agricultural credit or ameliorate the condition of the agriculturists in the least. Though the Dekkhan Agriculturists' Act was applied to this district twenty-five years ago and the Special Acts for *talukdars* are being enacted since 1877, the conditions of the agriculturists and *talukdars* have not been improved but, on the contrary, have become worse, and their whole credit have been practically ruined. The co-operative societies have helped them to some extent but not to an appreciable degree. Unless education be wide-spread, unless the State be pleased to turn their eyes

to villages instead of cities, and unless the agriculturist be made to take interest in agriculture with better outlook for village life, by solid efforts, I fear no amount of special legislation or credit facilities will restore the almost dead peasantry in this part of the country which was once the garden of India. Huge amounts of public funds are kept in the Imperial Bank of India, crores of rupees are borrowed by the State by raising loans and by getting deposits through postal savings banks and by the issue of postal cash certificates, even from agricultural towns and villages, but no part of this money is made available for village uplift. Enormous sums are drained from the country by insurance companies. Instead of making special legislation of doubtful utility, the State should determine to utilise the money deposited either with the State or the Imperial Bank by the people, of a district, only for the betterment of that district. There is no co-ordination between the two principal credit agencies, *viz.*, the money-lender and the co-operative societies. Each considers the other to be a rival, and generally the money-lenders have the upper hand.

QUESTION 2.—Generally all principal crops except tobacco are brought to the nearest market town for sale. They are sold directly to the consumers or to the merchants either for local use or export, through the agencies of professional *dalals* (brokers), who pay the price of goods to the seller in the first instance. The tobacco cannot be sold in a market town by taking it over, on account of its varied qualities and its brittleness. The *dalals* take their customers to the houses of the producers where it is stocked and purchases are made there. I see no possibility either of forming pools or co-operative efforts in this district in the near future. The purchasers of field produces manage to have their own capital either by borrowing from local bankers or by securing deposits from their friends and relatives. Such purchasers do not like to borrow money on the security of their godowns from the Imperial Bank as they fear to lose their credit with others. In this district there is practically no foreign trade except that of export of some portion of tobacco crop to Aden. The exporters, having either their own capital or local credit, do not require any more facilities from a bank.

The internal remittance is made either by sending *hundis* or cheques or drafts. No defect is apparent in such remittances.

The only kind of *hundis* current in this district is the one payable on presentation. I have no suggestions to offer for the amendment of the Negotiable Instruments Act.

The *hundis* are generally discounted in the local centres and the bankers or those merchants who have to send remittances to cities, send the same to their agents there for realisation.

When the field produces are purchased on behalf of outsiders or when they are to be sent against cash payment, generally a railway receipt is sent with a *hundi* drawn on the purchaser, to an agent of the sender, who in his turn delivers the railway receipt on realisation of the *hundi*. No difficulty is experienced in this process unless the party fails to take delivery of the goods. In such cases, if some deposit is taken in advance, the sender suffers no loss.

I am unable to express any opinion regarding the licensed warehouses.

QUESTION 3.—In the Kaira district the value of land per acre varies from Rs. 100 to Rs. 2,000. The quality of the land, its suitability for rich crops, the proximity of the land to the village site, the proportion of cultivators to the areas of agricultural land, the road or railway communications, the irrigational facilities, climatic conditions and the class of cultivators are the chief factors to affect the price of agricultural

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lands. Generally the prices realised by private sales are higher than the price realised by auction made either by Government or Civil Court as people do not like to displease the original holders by bidding at such auctions.

QUESTION 4.—As far as I know there is no legal impediment to mortgage of land and agricultural holding except in a *narvadari* village, where such alienation is prohibited to an outsider by Act V of 1862. There is no land mortgage bank or agricultural bank in this district. The District Co-operative Bank is the only bank which advances money as long-term credit for debt redemption. But naturally it is being done on a very small scale. This Bank raises its capital by shares, deposits and by borrowing from the Bombay Provincial Co-operative Bank. On the recommendation of a co-operative society, long-term loans are advanced to the society to advance the same to the applicant who is necessarily its member.

It is an urgent necessity for this district to start a land mortgage bank as early as possible. For want of such a facility, every day the land is being transferred to non-agricultural classes who prefer to invest their small savings in buying lands in their own villages. I fear this cannot be done all at once and so as an intermediate measure of relief, equitable mortgages be allowed. To protect such mortgages, registration of any kind of charge into the Record of Rights must be made compulsory and any omission to have it done must be considered to be the last charge on the property in order of precedence.

Certified extract from the Record of Rights must be supplied without any fees directly by a *talati* on an application without any court fee. It must be made obligatory on a *talati* to give a receipt of having registered a charge on lands.

I am not in a position to offer any suggestion with respect to the working of a mortgage bank.

I venture to suggest the following course for making provision for long-term loans. Each survey number or part of it held by any one person may be valued at a price by a Revenue Officer not below the rank of a *mamlatdar* after taking into consideration all the various factors, and a certificate to that effect may be issued to the holder, countersigned by a Sub-Divisional Officer. Whenever an application be made to the Imperial Bank of India for a loan accompanied by such certificates, the Bank should advance loans up to a certain percentage of the value certified on the security of the land comprised in the certificate, after verification with the Revenue Records, without getting executed any document, on very moderate rate of interest. Such advances may be registered in the Record of Rights. The total amount of such advances may be limited according to the funds available at the branch, after considering the public funds kept with the branch and peoples' deposit with the several post offices in the district.

QUESTION 5.—No materials are available to estimate even approximately the existing indebtedness of agricultural classes of a village, much less that of a *taluka* or a district. The Record of Rights can be helpful to estimate secured debts on lands. But the total amount of secured debt of a particular agriculturist cannot be estimated accurately as it happens in many cases that one man holds lands in different villages. Unless the party concerned gives all help honestly, proper estimate even of secured debts will not be fully possible. As regards unsecured debts, I think that the estimate could not be made accurately, even by an elaborate and searching inquiry because of the natural unwillingness of a man to divulge his indebtedness.

The existing debts were incurred for almost all the purposes mentioned in the question at different times. It is not possible to make out the purposes for a particular amount

from the accumulated debts. As said above, the principal creditors are local money-lenders and co-operative societies. In some cases both are creditors of one and the same person.

The rates of interest vary according to the respectability of the agriculturist and his capacity to repay. Excepting in isolated cases it is seldom higher than 12 per cent. The interest is generally calculated at the end of the year and is added on to the principal. No separate accounts are kept for the principal and the interest. Receipts during the year are credited and advances are debited on the respective dates and interest is calculated for both credit and debit entries and hence if the debtor pays an amount sufficient to cover the accrued interest, he does not pay any compound interest, otherwise he has to pay compound interest. If a debtor makes default to repay his debt, generally the creditor does not run to the Civil Court at once. He waits for some time, tries to persuade him and influence him through others; if necessary, he advances him further amounts and gets the whole debt secured by a mortgage or purchases a piece of land even by giving consideration higher than its real value or by settling the claim by granting instalments with or without interest or by reducing the rate of interest. After all or some of such ways, if he fails to secure his money, he goes to the Civil Court. Generally creditors shrink from running to Civil Courts on account of the dilatory procedure, reduction of claim by deducting compound interest, granting of instalments, the troublesome and expensive execution proceedings, and such other reasons.

It is in very rare cases that efficient farmers are being turned into tenants. Only the inefficient farmers generally lose their holdings and the property passes into the hands of creditors. Creditors do not get lands transferred willingly because mostly it is unremunerative, considering the amount of interest on the capital so invested. In unirrigated tracts and tracts liable to famines, the farmers and creditors are both in the same condition. Many money-lenders have relinquished their holdings.

The incentive to produce more or work hard and regularly has no doubt been diminished from farmers in some parts of this district. It may be partly due to his indebtedness, but it is more due to numerous other reasons.

QUESTION 6.—The only industry supplemental to agriculture in this district is buffalo-keeping. Home industries like tailoring, hand-spinning and weaving, button making, etc., will be very useful to give profitable employment to unemployed dependants of agriculturists all the year round and to the latter during the period when he has not to work on land. The co-operative credit societies will at present serve to finance such industries.

QUESTION 6A.—Hand-weaving is the chief small industry in this district. No special facility to finance it is necessary.

QUESTION 7.—The relations between the co-operative bank and the Imperial Bank of India consist only in accepting of cheques and issuing of drafts for remittances without charging any commission. No difficulty is experienced in advancing short-term loans to the full extent by the co-operative bank, but it cannot cope with the demand for long-term loans fairly well for want of funds. If some source be found out from which the bank can secure deposits fixed for long periods, then only the bank can make some progress in advancing long-term loans. To enable the bank to cater to the needs of all the societies with respect to long-term loans, I think more than Rs. 50,00,000 will be required.

As there is no joint stock bank in this district, there is no possibility of competition.

The Co-operative Movement has done much good to agriculturists in this district, though the development of the Movement is very moderate.

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QUESTION 8.—The Dekkhan Agriculturists' Relief Act has done enormous harm in ruining the credit of the agriculturists as a class instead of doing appreciable good. If a creditor has to go to Court to recover his money, in many cases he has to lose his whole amount practically. But this loss is not a gain to the agriculturist-defendant. The gainers are pleaders and the State. It is a wonder that though several Committees and Commissions have declared the Act to be a failure, no steps have been taken either to amend it or repeal it. Though apparently the provisions of the Act put at a loss the money-lenders, for all practical purposes, it has harmed the agriculturists to a very great extent. In several account suits filed by agriculturists under the Act it has been found that the amount found due after taking accounts is greater than the amount stipulated to be paid by a mortgage deed. By a Full Bench decision of the Bombay High Court, in *Gopaldas Sambhudas vs. Vithal Mohanji*, it has been held that such excess amount should be decreed. Such cases prove that the necessity of such a legislation does not exist. It is so very strange that though the sections of doubtful utility are extended to Gujarat, the sections which are proved to be beneficial, such as the appointment of conciliators and village *Munsiffs*, are not extended. It may be for fear of revenue in court fees. A great number of cases against agriculturists are of a nature of Small Causes. I think that the Act will serve no useful purpose in any amended form, in this district, considering the peculiar conditions of the district, such as low rate of interest and general intelligence of the masses.

I do admit that the agriculturists as a class are poor in certain parts of this district and some measures are necessary for their uplift. But I think that no amount of protective legislations will help them a little, and such attempts will be futile and harmful. The remedy will be worse than the disease. The agriculturist must have self-restraint and that can be brought in him only by education. "The man who learns to deny himself the luxury of borrowing, except under most pressing need, soon learns how to deny himself a little in the day of abundance, and to lay by for the contingencies, which education alone teaches him, as likely at some time or other to supervene." Thrift and organisation are the cardinal factors to ameliorate the condition of the agriculturist, but this can come in only through education.

Poverty is of the nature of a self-perpetuating disease, generating a vicious circle. Poverty, diminished credit, borrowing, high interest, recklessness, numerous family, inefficiency and illiteracy are the component parts of this vicious circle, which requires to be broken at its weakest point. The weakest point is illiteracy.

QUESTION 9.—I have no remarks to offer on this question as I am not conversant with the Acts mentioned in it.

SECTION II.

Replies to some questions under this head are given in my replies to questions under Section I. However, where necessary, I shall try to supplement them.

QUESTIONS UNDER 2.—The functions of indigenous bankers in the district are those of financing all kinds of trade and industries and agriculture. They finance import and export trade. They advance money on various kinds of securities, finance business on profit-sharing system, discount negotiable instruments such as *hundis* and cheques. As regards banks there are only two banks, viz. :—The Imperial Bank and the District Co-operative Bank. The only function of the Co-operative Bank is to finance only the

co-operative societies, it plays no part in the finance of trade or industry as most of the societies are agricultural credit societies. The Imperial Bank is more of a deposit receiving bank than a financing agency for local trade and industry. So, practically the whole finance is being done by indigenous bankers.

QUESTION 3.—It is not possible to estimate the amount of capital invested and the volume of business done by the indigenous banking. The expenses of indigenous bankers are very small as most of the work is done by the owner himself and other adult male members of his family with the help of two or three clerks. The system of accounting is also not costly. As said above, the indigenous banker has only to look towards the Imperial Bank for any business relation, there being no other bank. For all practical purposes it can safely be said that the Imperial Bank of India affords no facility to indigenous bankers. The detailed and worrying inquiry about the means of a party, the small extent of the accommodation, the heavy rate of interest charges, the security demanded and such other reasons come in the way of having business relations with the Bank. As a result instead of getting any substantial facilities the indigenous bankers have almost lost their old facilities of private deposits.

QUESTION 4.—The only credit instrument used in this district is that of *hundi* payable on presentation. Deposit receipts are given in the form of a promissory note.

QUESTION 5.—There is not much difference in granting a loan or allowing cash credit in this district. Advance to a non-trader is considered to be a loan which is generally repayable at the convenience of the borrower, while the cash credit account is one where advances are made payable either on call or when the borrowing party receives his dues and again drawing when necessary. Rough limits are fixed for advances on current accounts. But the interest on the amount to the extent of the limit is not charged if the money is not actually drawn. The bankers generally charge commission (*adat*) at the end of the year on the total of the debit side over and above the interest on current account. The loans are advanced and cash credits are allowed generally on the personal security of the borrower.

The indigenous bankers have their own capital supplemented by local deposit. Some times to meet urgent needs they draw upon their credits which they have with their Bombay and Ahmedabad *shroffs*.

The rate of interest allowed on deposits vary from 3 per cent. to 6 per cent.

QUESTION 6.—It is not the practice of the indigenous bankers to insist on advances being drawn as suggested in the question. The rate of interest charged by indigenous banker varies from $4\frac{1}{2}$ per cent. to 12 per cent. The rate of interest depends upon the credit and respectability of the borrower. These rates cannot be considered too high to consider any means to bring down. People who have no security to offer or who are considered to be not honest are not advanced money by indigenous bankers or village money-lenders. To such people even a co-operative society will not help. As a result they fall into the hands of Pathans and *Sindhis*. I cannot suggest any means to save such people unless they could be morally improved.

In this district, rate of interest is not a handicap to agriculturists in increasing their resources or in improving their standard of living or in making agricultural improvements, etc. It is the want of capital rather than the rate of interest which handicaps agriculturists on all sides together with other reasons such as social customs want of education, etc.

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The net amount of return on capital cannot be calculated properly for all cases, because the allowances suggested in the question are not the only allowances in all kinds of cases. The expenses vary in proportion to the morality and honesty of a debtor. If the debtor thinks it to be a moral obligation to repay and is honest in his defence, then the return is fairly good. But if otherwise, the money-lender sometimes loses even the whole of his principal. This will at first site seem strange. But it is a reality. Over and above the allowances mentioned in the question, a plaintiff has a lot of expenses to incur such as travelling expenses and several kinds of court expenses which are not allowed by Court. Generally the decree carries no interest; the compound interest and commission, if any, charged is disallowed in the case of agriculturists. Number of instalments and the expenses to be incurred in executing decrees are some of the numerous reasons which minimise the plaintiff's claim. In the case of an agriculturist the decree is transferred to the Collector if it is to be executed by sale of property, where it is delayed for several years on various grounds. With all this trouble the plaintiff has the risk of personal safety in villages.

QUESTION 7.—There is no genuine prejudice against indigenous money-lenders in the district.

Except the disabilities created by legislation there is protection in law to money-lenders.

The money-lenders trading in villages have many doubtful methods. These are generally the people commanding very small capital and many a time they themselves are agriculturists and as such command some influence, and on that strength they are able to recover their dues without recourse to Civil Courts. Any amount of legislative restrictions will not protect the agriculturists. The licensing of approved money-lenders will be a complicated machinery and perhaps unworkable.

QUESTION 8.—If the money-lenders doing business in towns and those money-lenders who have migrated to towns from villages be induced to return to villages, I think the whole problem of village finance will be solved. The co-operative societies can most successfully solve the problem. But looking to the enormous requirements of the district, I fear no amount of development in the Movement will be able to cope with all the needs of the people. So, willingly or unwillingly we have to put up with the class of money-lenders. Hence in order to minimise the evils accompanying money-lenders I may suggest that respectable money-lenders, if willing, be asked to finance particular areas subject to limitations prescribed by Government. Their accounts must be kept in prescribed forms and open to inspection by responsible officers. Such people should be given all the concessions and facilities allowed to co-operative societies. They must be bound to charge only their fixed rate of interest.

The books of money-lenders are not open to inspection. In some cases if a debtor is an intelligent one, he gets a pass-book prepared and takes with him the book at the time of doing every transaction for being entered therein.

An honest money-lender will not be offended if his account books are inspected, provided it is not made unnecessarily intrusive, such as by looking into his resources, etc.

QUESTION 9.—The indigenous bankers cannot meet all demands as their funds are always limited. They must refuse a loan on account of doubtful security.

QUESTION 10.—The indigenous banking system if linked with other banks or financing parties by way of supplying money, I think much of the difficulties will disappear. Want of sufficient funds in the *mofussil* is the reason for rise in rates of interest. I cannot suggest any particular kind of a bank. I can only say that it is a great necessity to

establish a financing institution to help local banking without rigidity in the interests of agriculture, trade and industry.

Such special banks should be prohibited from having any dealings with people. If they be allowed to do so, they will not do it sufficiently and without rigidity.

QUESTION 11.—I do not think that there is any amount of money in the hands of the bankers which does not find employment throughout the year. I think there is scarcity of sufficient funds.

The question does not arise. Some people do send some of their money to Bombay during dull season. This is generally done by people who trade in seasonal crops.

The ruin of agricultural credit has affected the credit of village money-lenders which in its turn has affected adversely the credit of town money-lenders. So unless the fountain-source of credit is not cured of its disease, I fear the capital invested in banks, post offices, Government and other securities and with bankers in industrial towns, will not flow back to the district.

SECTION III.

In my former replies, I think some of these questions are replied indirectly; so unless quite necessary, I shall not repeat my remarks.

QUESTION 1.—Members of societies who are always debtors have nothing with them to invest. The compulsory deduction from the loan advanced is always availed of at the time of repayment. The savings deposited in the banks are mostly of salary earners.

The public have more than sufficient facilities for investments of their savings in view of their limited surplus funds.

Formerly the Mahomedans in this district were not taking interest but now-a-days they have given up that prohibition.

The habits of people to purchase gold and silver cannot be minimised in the present state of social views of people.

QUESTION 2.—Postal cash certificates are very popular as they pay higher rate of interest. Respectable merchants, *shroffs* and even some agriculturists and village people do not pay so high interest. So it has adversely affected all the classes. I think this kind of competition by the State should be put a stop to.

It is a rule for postal savings bank accounts that if an account is not operated for a particular period the account is closed and termed "dead account". This can be revived if the depositor makes an application. I do not see any reason in giving so much trouble to investors. If the authorities think that the savings bank is meant for persons who are active customers, the postal authorities should return the money to the investor at his cost by money order. Similarly persons who do not claim money of postal cash certificates after due date should be repaid. I imagine an enormous sum of money must be lying with Government for want of claim since a long time. In many cases holders might have lost their certificates or their heirs might have no knowledge of such investment. Even if notices be given to people, many of them will be in a position to claim their money. In local bodies if deposits of the public are kept for even smaller periods the auditors raise objections and press them either to return or invest separately. I think it is much more the duty of Government to return the money to their owners to some of which it will be a great relief to get.

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QUESTION 3.—I think no further facilities are required for the purchase and sale of securities for this district, as those who have to invest their savings are conversant with all the ways. The agriculturist has practically nothing to invest and the question requires no consideration.

Those agriculturists who have some savings from the sale of crops generally invest in purchase of lands or making advances within his village; some invest it with town money-lenders.

QUESTION 4.—As there are only two banks in this district, the cheque habit has not grown much in the district but it has increased much in the Nadiad town. The abolition of stamp duty is the chief reason for this increase. As there are no more banks in the district, I have no remarks to offer to increase the habit; for the same reason, change to vernacular script is not necessary, though it is desirable.

QUESTION 5.—The present day banking and investment habit is really of very slow growth. The majority of people are even not initiated to it. Even in towns, still many people are ignorant about it. This is all due in some cases to want of education, and in some cases due to carelessness and indifference.

If people could be convinced that it is safe and profitable to invest their funds in agricultural undertakings either directly or through village money-lenders, they would invest their money in such productive undertakings. But this is not possible unless radical change can be effected on all sides.

The opening of the Imperial Bank at Nadiad has on the whole not profited this district. I cannot ignore the convenience it is able to give to some people. But I can estimate that much of the capital which was in circulation in the district has been drawn by it and sent up to industrial towns.

I have no knowledge of investment trusts.

Oral Evidence.

9154. *The Chairman*: Rao Saheb Parikh, you are the Managing Director of the Kaira District Central Co-operative Bank?—Yes.

9155. Do you do any banking business yourself?—No.

9156. Are you a landlord?—Yes; I am also an industrialist. I have some investments.

9157. Does your bank finance all the co-operative societies in the district?—Yes.

9158. Do you think that the finance supplied to them is adequate?—Yes, except for long-term loans.

9159. Do they not have to go to *sowcars*?—No.

9160. Are many of the societies in heavy arrears to the bank?—Yes.

9161. The Co-operative Movement is working well except in the Matar *taluka*?—Yes.

9162. Do you propose to give any long-term loans?—For Matar *taluka* we have already given an extension fixing long instalments running over ten years.

9163. Are the instalments coming regularly?—This is the first year.

9164. As regards other *talukas* are there heavy arrears?—No.

9165. Were you giving long-term loans at all for debt redemption?—In very few cases we have given.

9166. In these few cases are the instalments coming back regularly?—Yes.
9167. You say that the rate of interest charged on advances here is $4\frac{1}{2}$ per cent. But there must be only a few such cases?—Good *patidars* get at this rate.
9168. Are there persons amongst *sowcars* who advance at $4\frac{1}{2}$ per cent. or at 5 per cent.?—There are good *sowcars* who advance at this rate.
9169. But would they not get more by placing their money in your bank?—Still they are not attracted.
9170. You say that the societies are formed only in very poor villages and it is only the poor people who join them; can you not get the better class people also to join the societies?—We are trying to do so.
9171. Do you finance the marketing of crops?—No.
9172. Neither cotton nor tobacco?—No.
9173. Do not people come to you?—No. We cannot advance money to individuals.
9174. Can you not advance against the security of produce?—Not to individuals.
9175. Are there many big indigenous bankers here?—There are some.
9176. Have you any idea as to the amount of capital which these indigenous bankers have invested in this district?—Approximately it must be more than a crore of rupees.
9177. Do they finance trade?—Yes; they also finance agriculture.
9178. Is there much *hundi* business done here?—It is only limited to towns.
9179. You want Imperial Bank to advance loans against land?—Yes; the Act can be amended.
9180. For any long period?—At least for ten years' term the loans must be advanced.
9181. What secondary industry you have in this district?—Dairying.
9182. Has it been organized on a co-operative basis?—No.
9183. Does your bank make any advance for encouraging this industry?—No; we advance money for breeding of buffaloes.
9184. But is there a regular organisation?—No.
9185. Do you think that it is not possible?—No.
9186. We have been informed by a witness that the village *munsiff* system has not worked properly in this district?—It is not the fault of the system, but it may be due to the fault of selection.
9187. You say: "In this district the rate of interest is not a handicap to agriculturists in increasing their resources or in improving their standard of living or in making agricultural improvements, etc. It is the want of capital rather than the rate of interest which handicaps agriculturists on all sides together with other reasons such as social customs, want of education, etc."?—Yes, it is the want of capital which handicaps agriculturists.
9188. Do you not think that the two go together very often?—Yes.
9189. What is the real difficulty? Is it that capital is not there, or is it that capital is there but it cannot be got unless a higher rate of interest is paid?—The capital has gone out of the district.
9190. This may be one of the reasons why the rate has gone up?—I do not think so.

9191. But so far as your Co-operative Bank is concerned, it can get more capital from outside?—We get capital from the Provincial Co-operative Bank.

9192. Do you get enough?—Yes. The want of capital is not felt by the Co-operative Bank, but it is the indigenous banker who is in want of capital.

9193. Have you a savings bank account in your bank?—Yes.

9194. Do you get large amounts?—We have about Rs. 50,000.

9195. Is the amount increasing?—Yes.

9196. Do agriculturists deposit their money in the savings bank account?—No.

9197. Has any attempt been made to get savings bank deposits from agriculturists in the village societies?—I do not think that people have any money to deposit in savings account.

9198. Not all, but a few of them might have savings. Where do they keep their savings?—They might deposit their money in co-operative societies.

9199. Do they invest their money in land or in gold?—No.

9200. *Mr. V. L. Mehta*: You said that the repayment of loans in the Matar taluka had been spread over a number of annual instalments?—Yes.

9201. Has your Co-operative Bank been able to give any reduction in interest or allow concessional terms to the societies there?—No. We have just promised them that if they would repay their instalments regularly they would be given concessions.

9202. What is the rate of interest at which the District Bank borrows money locally?—It varies from $4\frac{1}{2}$ per cent. to 6 per cent.

9203. You suggest that the Imperial Bank should give out money on the security of lands on a long-term basis. Would you like them to deal with the agriculturists directly or through some other agency?—I think it will be far better if they deal with them directly.

9204. Would the smaller landholders be taken care of by the co-operative societies?—Yes.

9205. You suggest the starting of a land mortgage bank in this district. Do you think that it will be possible to raise any capital locally by sale of debentures?—Yes.

9206. And not by way of share capital?—No.

9207. Are any of these *shroffi* firms associated with the co-operative working in any way?—No.

9208. Do you think that they could be associated through an urban bank or some other agency?—I do not think so.

9209. You suggest that the Government should not borrow by means of postal cash certificates, but then there will be a certain number of people who would not trust any agency other than Government?—I have proposed the alternative that the money deposited in such institutions should be utilised for the benefit of the district.

9210. In what manner?—By helping agriculture and industries.

(The witness withdrew.)

*The Committee then adjourned and reassembled at Bombay on Monday,
the 16th December 1929.*

Monday, December 16th, 1929.

BOMBAY.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.

Mr. P. R. CHIKODI.

Mr. H. V. DESAI.

Professor V. G. KALE.

Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. LALJI NARANJI, J.P., M.L.C., Bombay.

MEMORANDUM.

A detailed reply to the questionnaire of the Bombay Provincial Banking Enquiry Committee has been given in writing by the Indian Merchants' Chamber. As a member of the Sub-Committee of the Indian Merchants' Chamber I am one of those concerned with the said replies. The replies to questions taken up by the Chamber embody my views as well. In the following statement I shall give my general remarks on the broad questions that may be considered by the Banking Enquiry Committee.

The science of banking developed in India without any influence from the rulers long before the advent of the British Government. The world is becoming more or less one large unit and rapid means of transport and communication have enabled all parts of the world to secure banking facilities provided they possess sufficient gold which they can transfer on call to be turned into any currency in any part of the world. Thus gold has become the real source of banking in all parts of the world. The value of gold imported into India during the last ten years averages about thirty-five crores of rupees, a large portion of which goes for the use of the 330 million Indian people. The use of gold in India per head in comparison with other countries is much less when we consider the social customs which make it an obligation on every Indian on the occasion of the marriage of his children to offer silver or gold to the bride. The gold that is imported into India every year, as the surplus of their exports over imports, is thus not hoarded but is used for purposes of ornaments. Such a vast continental territory like India has to be satisfied with very little addition to her wealth. The quantity of India's products is ever increasing by the development of modern science in agriculture and also by the rapid and increasing means of transportation such as railways, boats, motors, etc. In spite of these developments of her agricultural resources she has not been able to add every year to the surplus wealth which an agricultural country like India should have been able to do. A highly developed country like America or a very different country from the administrative point of view like Russia has been able to add to their

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wealth every year during the last 10 years. The following figures will show what America has done :—

U. S. Exports—By Commodity Groups.
(000,000 omitted).

—	1922	1923	1924	1925	1926	1927	1928
Total	3,765	4,091	4,498	4,819	4,712	4,759	5,030
Crude materials	988	1,208	1,333	1,422	1,261	1,193	1,293
Crude foodstuffs	459	258	393	318	335	421	294
Manufactured foodstuffs	588	583	573	574	503	463	467
Semi-manufactures	438	564	611	662	650	700	717
Finished manufactures	1,292	1,478	1,588	1,643	1,957	1,982	2,259

In spite of the political difficulties of Russia as Russians are left to themselves to manage their own economic affairs they have been adding to their national wealth. (Accurate figures cannot be given as I have no statistics before me.) From my above remarks the point that I wish to make is that India, owing to her political and economic domination by Great Britain, has not gathered the strength, resources and wealth which ordinarily, if she had been free she would have been able to collect from her natural resources for herself.

India has been made to part with all her surplus wealth to which she is entitled to Great Britain for the several services that Britain has been enabled to offer to India and such amounts for services of several kinds rendered are every year increasing. If the figures of those services were collected they will clearly prove that with the increasing capacity of the Indian production the surplus which ought to legitimately go to India has always been diverted to new expenditure for the development of the resources of India. By services I mean not only costly services in the administration which are reserved for non-Indians, who for all practical purposes may be called Britishers both civil and military (which one can see from the increasing military expenditure of the past years), but also services in the shape of vested interests such as railways on which India has spent about 800 crores of rupees and the development of the coastal and overseas trade which have also become a British monopoly; services to trade in the form of insurance; services in the form of handling goods which up to now were practically a monopoly and which are even now largely controlled by British and other non-Indian firms.

Since the Government of India Act of 1919 with very limited powers to Indians and with real control in the hands of the Secretary of State for India, India through her Legislative Assembly has been ventilating her desire to preserve the wealth that is created in India by Indians by tariff regulations, by shipping bills, insurance bills, etc., which clearly shows that if the Banking Enquiry Committee were to enquire as to how banking should be done in this country the enquiry will be of very little avail if such Committee were not to recommend the means to preserve all the wealth that is created in this country legitimately in India.

In this connection I will mention one instance of how the machinery even for collection of land duties has been made expensive. The collections are made in villages; from villages they go to *talukas*; from *talukas* to districts; and again, when the product of those villages are to be marketed, the *monies* have to be taken back from the districts

to the villager. Government used to employ treasury officers in such villages, men of responsibility and standing; but since Government have taken into their head of driving all the resources of banking to the Imperial Bank of India, thousands of years of training of the village *shroffs* and other bankers in the villages has been wiped off by systematic efforts of driving all capital into the coffers of the Imperial Bank. Banking through the Imperial Bank is too expensive for the Indian villagers, who are neither educated to the standard that the Bank will require, nor advanced to deal with the niceties of the rules of the Imperial Bank. The services of the Imperial Bank are so costly that villages and small towns are denied banking facilities only for the reason of its being too expensive. The money which was rapidly rotating from district to villages through *shroffs* who were satisfied with a very moderate remuneration cannot do so now much to the disadvantage of the peasants.

As mentioned above, I wish to restrict myself to one question and that is about the insurance habit, which has not been developed to the extent to which it should have been done. Insurance in these days has become a necessity for all kinds of risks, namely, fire, marine, motor car, burglary and even life. I will, however, refer to the necessity of developing insurance for creating and preserving more wealth in this country. The more I consider the economic problem of India, the greater I feel the necessity of Great Britain slackening her grip on the economic domination of this country. India has remained far more backward than other countries even in the development of the insurance habit, as may be seen from the following figures:—

LIFE INSURANCE IN FORCE.

							1928 Rs. (In crores)
United States of America	..	..	..	..	..	..	30,000
Canada	..	..	..	..	..	..	1,500
United Kingdom	..	..	..	..	..	..	4,000
Germany	..	..	..	..	..	..	800
France	..	..	..	..	..	..	300
Italy	..	..	..	..	..	..	250
Japan	..	..	..	..	..	..	1,200
Australia	..	..	..	..	..	..	600
India	..	..	..	..	..	..	65

GENERAL INSURANCE.

			<i>Fire</i> Rs.	<i>Casualty</i> Rs.
United States of America	..	..	240 crores.	250 crores.
Great Britain	..	..	110 „	90 „
Canada	..	..	15 „	6 „
India	..	..	89 lakhs.	19 lakhs.

Although no statistics are available, it may be estimated that the total amount of money paid to insurance companies in the shape of premium for all classes of business, excepting life, should be in the neighbourhood of 20 crores of rupees, out of which only a very small percentage goes to Indian insurance companies.

From these figures it will be seen that looking to the natural resources that India commands, looking to the culture that India had, India has not developed this line as

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it should have done, in comparison with the other countries of the world. Recently, in the last 10 years, Indians have begun to associate actively in encouraging the habit of insurance in all its branches, thus increasing the investment and banking capital in the country. It is a great resource and a very fruitful resource to the Government when they are the borrowers, as it is also much helpful to the industries of the country, as it has done in other parts of the world. And lastly, but mostly, insurance funds have spread all over the world and in times of war or famine, they are very useful in accommodating credit for meeting the difficult situation that is created in such times.

Insurance instead of being encouraged is being discouraged by foreign banks that are prospering in this country and that are offered the monopoly even by the Imperial Bank of India, with all its resources. It is very gratifying to state here that the Imperial Bank of India during the last three or four years has seen the necessity of assisting the legitimate aspirations of Indian insurance companies. The Imperial Bank has realised that insurance companies conducted on proper lines will be a great source to banking and she has changed her policy. But if she really wishes to add to the wealth of the country, the Imperial Bank should only finance those banks which encourage the policies of Indian insurance companies. It is very regrettable to find that exchange banks, which can work in this country without any sort of control placed upon them, are hampering the progress of Indian insurance companies and thereby preventing India from preserving her own wealth for herself. It is well known that exchange banks, even on the strength of their own gold, are financed by Government-aided banks like the Imperial Bank of India and they cannot do banking unless they are supported by the local Government Central Bank. If the exchange banks are not supported by Government Banks, I am sure, they will have to leave the country at once. I do not minimise the service that the exchange banks are doing; but I should certainly point out that if the exchange banks have done service to India, they have been able to preclude Indians from having their legitimate share. They have even deprived Indians from managing their own ports in the administration of which the non-Indian officers, only by virtue of their being able to argue that they are controlling much of the trade, are elected. It will thus be seen that the extensive business and firm hold of the foreign exchange banks affecting not only the development and transfer of the services, which are draining away the surplus capital of the country to places outside India, and mainly Great Britain, should be curtailed and it will enable India to have more capital. In the uphill task of the Indian insurance companies, they have not been able to obtain 1/10th of the whole business in the course of ten years, when in countries like Japan, which are self-governed, they developed their insurance and other industries including banking in the course of 20 years completely, and in the course of another 20 years they were not only able to control in their own country all the services mentioned above, but they are now offering their services to foreign countries and have even come to India, though, really speaking, they began long after India began to reform her trade and industries.

These handicaps retard greatly the progress of Indian general insurance companies, although during the last 10 years, they have accumulated nearly three crores of rupees in assets, including their paid-up capital, which are mainly invested in Government paper.

I may mention here from my personal experience that one British exchange bank at least had the candour to say that an Indian insurance company being a "Rupee"

company incorporated in India cannot be classed under the definition of British insurance companies, and so where a stipulation is made for getting British insurance companies' policies, the policies of an Indian insurance company cannot be accepted. I beg to quote the letter of enquiry and the reply of the bank :

Letter of enquiry.

“ One of our clients refers to us whether you will accept our policies, if the letter of credit stipulates that insurance is to be done by the shippers in first class British or American companies. As our company is incorporated in India, which is a part of the British Empire, I have informed our client that our company is a British company and I am requesting you to let me know if you will accept our policies and negotiate the documents under the letter of credit terms referred to herein. Your early reply will oblige.”

Letter of reply.

“ In reply to your letter of date in cases where credits are opened through us stipulating that insurance is to be effected through ‘ Lloyds ’ or equal British insurance company, we regret we would not be able to accept your policies, as being a rupee company incorporated in India, we are of the opinion that such documents would not fulfil the conditions laid down by the letter of credit.”

From this it will be seen that foreign exchange banks doing business in this country are allowed to continue to do business even when they prevent local companies doing most useful work from doing their business, thus opposing Indian interests deliberately.

This is a very important point to which the Banking Enquiry Committee should give their proper and most serious consideration.

The paid-up capital of the general Indian insurance companies to-day is Rs. 1,32,93,085 and the total assets of these companies come to Rs. 2,94,00,000. So far as Indian life insurance companies are concerned, these have done remarkably well during the last 10 years. According to the report of the Government of India Actuary on the working of the Indian life insurance companies up to the end of 1927 the total investments of Indian life insurance companies amounted to Rs. 17,73,04,592. Over 50 per cent. of this amount is invested in Government paper. The remarkable development in life insurance has been of recent origin. There are still a number of foreign companies who are competing. If India had restrictive legislation favourable to local insurance companies, there can be no doubt that much more money would flow into the hands of these companies which in their turn will not only enable India to retain all this money in this country, but also such moneys would be available for investments in Government paper.

It is not that India lacks in the culture that is required to control all these services, but it is the vested interests that have deliberately prevented India from keeping their own wealth in their own country.

I have developed this point with a view that the surplus wealth that is created in India may be allowed to remain in the country and is not allowed to be drained away which, to me, is the principal question that deserves the utmost consideration of this Committee. If once the wealth is managed to be preserved in this country, for the development of her resources, it will multiply itself in a short time and methods of banking will not be found wanting to be organized. Government's borrowings, capital commitments, gold movements, Government finances, public debts, the tariff policy, expansion of industries like shipping which originally existed in India but which has now been completely wiped

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of and such other subjects not being under the control of the people of this country, the consideration of banking organization is a mere farce.

Oral Evidence.

9211. *The Chairman* : Mr. Lalji, you are a mill agent ?—Yes.
9212. You are also interested in insurance business ?—Yes.
9213. Are you the managing agent of the Jupiter General Insurance Company, Limited ?—Yes.
9214. You are also doing cotton business ?—Yes.
9215. Are you connected with any other business ?—I am chiefly interested in the mill industry.
9216. Are you interested in the Jam Mill in Sholapur ?—Yes ; I am also interested in the mill at Jalgaon in Khandesh.
9217. As regards the mill in Sholapur can you give us some information as to how the production of cloth is financed from the time it leaves the mill until it goes to petty merchants ?—Yes.
9218. Do you sell it to wholesale merchants of Sholapur ?—Yes.
9219. Have you a guarantee broker ?—No.
9220. Do the wholesale merchants pay you at once ?—Generally they pay us at once except in circumstances like the present.
9221. Do you give them credit ?—Yes, I have to give them a very big credit.
9222. For how long ?—For three or four months.
9223. Do the wholesale merchants give credit to *mofussil* merchants ?—Yes.
9224. Who arranges about finance for you ?—We have arranged ourselves so far as our manufacturing products are concerned. We get our money from the wholesale merchants generally except in circumstances like the present.
9225. But for two or three months you have to find additional finance ?—Yes.
9226. Do you get help in any way from any of the banks ?—They give money on their own terms.
9227. During all these stages is any advance given by any bank on the security of goods kept in its warehouse ?—Yes, the Imperial Bank does it at Sholapur.
9228. Between the wholesale merchant and the small trader how is the finance arranged ?—No credit is allowed by any bank. If the goods are in the possession of banks they will advance money. Really speaking, in distribution there is no help.
9229. Between the wholesale merchant and the small trader how is the finance arranged ?—The wholesale merchant gives him credit.
9230. He has to give credit ?—Yes.
9231. And if the wholesale merchant cannot find money, he cannot give a large credit ?—Partly he has to raise money himself.
9232. How does he do it ?—He does raise money from *shroffs* or from his own capital.
9233. Does he get money from banks ?—No ; there are very few instances, because they do not advance on *hundis*.
9234. When goods are despatched by railway, is any finance available on the security of the railway receipts ?—No.

9235. Do you think that a system of warehousing in different parts of the presidency will be useful to raise money ?—Yes ; but people are not accustomed to this system of warehouses.

9236. What is the function of a guarantee broker ?—He guarantees the fulfilment of the contract by the buyer, but he is not responsible to carry out the contract so far as the delivery of it is concerned. If there is any loss he will make good the loss.

9237. If you give credit for three or four months, as regards the payment of the price, is he responsible ?—Yes. We give it on the credit of the guarantee broker. He arranges with retail merchants about finance.

9238. You probably fix a limit for each merchant ?—Yes.

9239. Is there any limit fixed for a guarantee *shroff* ?—He deposits with us a certain amount in cash, but this sum is very small. He will at most deposit with us Rs. 50,000.

9240. To what extent will you give him credit ?—Four times the amount he has deposited. Unless we give credit it is very difficult for our goods to rotate.

9241. You know that the Indian Merchants' Chamber has put before us a proposal that some recognised *shroffs* should be appointed as agents of the Imperial Bank of India on their giving security. I wonder if one can make any comparison between the system of your guarantee *shroffs* and the system of the *shroffs* proposed by them ?—Except that finance will be flowing freely for those *shroffs* appointed as agents of the Imperial Bank, in all other respects they are the same.

9242. In your case with a guarantee of Rs. 50,000 placed in cash, you allow them credit worth Rs. 2,00,000. I want to know whether a similar thing could be done in the case of those *shroffs* whom it is proposed to be appointed as agents of the Imperial Bank ?—The *shroffs* cannot do financing at the risk of the Bank. They can do it at their own risk. The only thing will be that the Bank will finance them up to a certain extent. Of course it will be a great relief.

9243. As regards the question of insurance, your contention is that the money which is raised by insurance should as far as possible be utilized in the country in which it is raised ?—Yes ; it should at least be utilized for public purposes.

9244. Do any of the insurance companies help industry or trade ?—No ; not at present. Only lately I heard that after a big crisis, in the New York Stock Exchange the Insurance Superintendent of New York convened an informal meeting in America of insurance officials to allow the insurance companies to invest in selected stock exchange securities. This is the first time I have heard about this news ; usually they invest in Government securities and semi-Government bonds.

9245. Why do people prefer to go mainly to non-Indian firms in preference to Indian firms ?—No insurance company can work without the full co-operation and confidence of banks. In any country you will find that insurance companies have never prospered without the complete assistance from banks. In this country, of course, nobody can deny that there are two interests and those two interests are trying to come nearer and nearer every day but until they will become one, there will always be complaints by persons like myself and the complaint is that there are two interests. The exchange banks are under the control of non-Indians. The Indian insurance companies felt the difficulty even with the Imperial Bank of India, for the first eight years. It is a matter of credit no doubt. Nobody can force them by law to help us, but there must be mutual confidence. If you look to insurance companies of other countries you will find that

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they have prospered in a period of ten years considerably because all the help is given by their own banks. Even if they work in foreign countries their banks in those countries help them.

9246. What kind of help do you expect from these banks? You refer to one thing that they can take your policies as security?—I say that if banks were to look into the re-insurance arrangements, the working of insurance companies and their investment and come to a decision that they can allow any amount, then they must completely assist us. In the case of the Imperial Bank our own difficulty was in the first few years to convince them but now they are prepared to accept policies to any extent of my company. My point is that, provided the insurance companies are prepared to give to banks all the information that they require, the banks should not hesitate to assist them. What they now say is that they would not be able to accept an Indian company's policies because they are rupee companies incorporated in India and that such documents would not fulfil the conditions laid down by the letter of credit. It is an insult to injury that Indian insurance companies should be treated like this in India by those who prosper by Indian business.

9247. Do they refuse altogether your policies or do they accept your policies up to a certain extent?—They accept our policies up to a certain extent. What I say is that, if an insurance company is able to satisfy the bank, the bank should give complete assistance to it. The Imperial Bank, in our own case, is prepared now to accept policies to any extent, but we felt some difficulty in the beginning to get assistance from them until we satisfied them. The Imperial Bank is the Bank on which other banks should depend because when necessary the other banks are financed by it. If the Imperial Bank is satisfied or if there is any organization which Government might set up as the insurance boards in other countries, and helps the Indian insurance companies to enable them to undertake business, more wealth in the country will be created. There is great room, therefore, for the progress of insurance companies. In Japan, for instance, fire insurance by foreign and Japanese concerns in many recent typical years is compared in 1,000 yen as follows. This shows how Japanese companies are prospering:—

				Foreign.	Japanese.
1918	..	..	..	2,594,264	5,760,396
1920	..	..	..	3,689,571	12,630,999
1924	..	..	..	2,112,011	15,727,450
1926	..	..	..	1,850,251	17,922,036
1927	..	..	..	1,764,912	19,566,926

Thus you will see that in 1918 it was 5,760,396 yen whereas in 1927 it has gone up to 19,566,926 yen. This is the progress made by Japan in the course of ten years.

9248. Is this increase due to the fact that the Japanese Government assist indigenous insurance?—There are other causes also. If their own country were not to accept their own policies, I am sure the foreigners will never accept them. In Japan it encourages them first, but here in India the difficulty is that banks would do business in India upon Indian insurance but for several reasons they do not accept freely the policies as they ought to. If they help us after making a thorough enquiry and being satisfied, it will be in the interest of the country and in the interest of banking on the whole. It is necessary that insurance companies in this direction must be assisted. You will see that Indian insurance companies have paid the highest amount of losses in 1927-28. The Karachi correspondent of the Times makes the following remarks: "The insurance claims arising from the disastrous cotton conflagration last April have now been completely settled

and thus the fears that were at the outset were entertained about the feasibility of Indian companies meeting such a large amount have been falsified. Immediately the Bombay insurance companies received intimation of the fire, they deputed Mr. C.P. Mehta who arrived here on April 5th. A committee consisting of Messrs. C.P. Mehta, G. Gut, A.P. Darlow and J. Ross was appointed to survey and assess the losses. Their survey reports were published about three weeks ago and immediately after receipt of these reports the insurance companies have since paid up the claims". The Indian insurance companies paid to the extent of Rs. 28, 00,000 being the assessed amount of losses whereas the non-Indian companies paid to the extent of Rs. 13,00,000 being the assessed amount of losses. It will be seen, therefore, that the greater portion of the claim was paid by Indian insurance companies.

9249. Have any Indian insurance companies failed in recent time?—No. They have carried out their obligations fully and they have paid losses regularly.

9250. Speaking about restrictive legislation, what is the sort of restrictive legislation you are referring to?—I say that the Indian insurance companies should have preference in this country.

9251. And the foreign companies should be asked to go?—No. Insurance is such a business that you cannot do it without other companies. I mean restriction in this sense that Indian insurance companies' policies should be given preference by banks.

9252. This will depend upon the banks themselves as you just now said that you cannot force any bank to do so?—I mean the business that is now commanded by the Improvement Trust, the Port Trust and such other local bodies which are financed by the public, should be made to give preference to Indian insurance companies.

9253. Speaking about the collection of land revenue you say: "Government used to employ treasury officers in such villages, men of responsibility and standing." In olden times were the *shroffs* themselves the collectors of land revenue?—Yes; I say that the agency of *shroffs* to collect land revenue would be much better and inexpensive than at present.

9254. And they can utilize the money before crediting it into the Government treasury?—No; now-a-days there are all sorts of quick transportation devices and the *shroffs* can certainly by such means ask for any credit. At present what happens is that if I wanted money in Ner, I have to go to Jalgaon.

9255. In the *taluka* headquarters you want some machinery connecting it with Jalgaon?—Yes.

9256. Can you suggest any machinery?—You can appoint *shroffs* as agents for this purpose.

9257. You say that the quantity of India's agricultural products is ever increasing and the surplus is being used for developing the resources in India. It is a good thing, is it not?—Yes. What I mean is that under the pretext of increasing the resources of India, the money is spent in such a way that it does not create any wealth. Though it is said that it is spent for increasing the resources of India, it is not actually done so.

9258. *Professor Kale*: In the second paragraph of your statement you are trying to point out that the consumption of gold in India per head is not very large?—Yes.

9259. Last year it came to about 20 crores, and the year before it was 18 crores. Your contention is that though gold has to be the foundation of currency and banking, India does not take more than what is absolutely necessary for her?—Yes.

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9260. You want to point out that some gold is being utilized for jewellery, etc. ?—
Yes.

9261. Do you think that it is possible to educate the people into using some of this gold for banking purposes ?—It is possible, no doubt. As education advances, they are bound to preserve the resources for banking purposes.

9262. But even as it is, you think the consumption of gold is not extravagant ?—
Yes.

9263. The remarks that you make about exchange banks, with regard to insurance companies, I take it, do not apply to life insurance ?—No ; they apply only for fire and marine insurance.

9264. Do you think that there is *satisfactory progress* in life insurance ?—Yes.

9265. Have you any suggestions to make with regard to any encouragement that may be necessary for the expansion of life insurance, or do you think that it is going on all right as it is ?—I think the progress of life insurance is satisfactory. The life insurance business is going on very well. People are now learning the desirability of insuring their lives.

9266. Have you any suggestions to make with regard to any facility that may be given, for instance, for investment of their funds and so on ?—No.

9267. With regard to indigenous banking, do you not think that as the whole world is changing and the whole economic machinery is also changing, the indigenous banking has also to adjust itself to changing conditions ?—Yes.

9268. And if the Imperial Bank of India or the Reserve Bank of India, whichever the Central Bank of India may be, assists indigenous banking and if the indigenous banking also progresses, will it be possible to link up the two together ?—This is all hypothetical. I do not know what improvement there will be. It all depends upon the exact nature of the proposition that will come before us. It is very difficult to express an opinion at present.

9269. The problem is this : we have the indigenous banking which, as you point out, has a long history of very good work and it has spread its net work over the whole country. Then we have the modern type of banking represented by a Central Reserve Bank or the Imperial Bank and the joint stock banks. Now the question is how to fit indigenous banking into this modern development of banking. This is the big problem that confronts us in this country. Have you any suggestions to make in this regard ?—With the more faith of the *shroffs* with the Imperial Bank or the Central Reserve Bank, whatever it may be, and the more confidence they get of the Bank, the *shroffs* will be able to do more business at a very cheap rate which the Imperial Bank cannot do. You must have seen the notice of Simcox. I have personally discussed with him. It is not the only note which he has written. When the Banking Enquiry Committee was appointed, I suggested to the Bombay Government to print his notes which may give you an idea as to how important the part which a *soucar* plays in financing the *ryots* in the best way. All assistance must be given to a *soucar* so that he will be more useful to the country rather than creating branches of the Imperial Bank. I will give you one instance—it was rather very amazing—which took place nearly 15 or 18 years back when the Imperial Bank opened its branch at Jalgaon. At that time Mr. Simcox was the Collector and I used to go to Jalgaon twice a month. I found one village *shroff* bringing some rupees to the Bank which were supposed to be hoarded. The matter was at once reported to Government. This one incident, I think, prevented people from going to the Imperial Bank.

9270. Certain suggestions have been made to us that if the Imperial Bank of India or the Government gives certain facilities to indigenous bankers they might come into line with modern banking. Do you agree with this suggestions?—Yes. I will give you an instance. Taking the *hundi* system here, for example, I say the Imperial Bank themselves cannot do anything. They are financing the *shroffs* who are financing actually people who want to utilize money in Bombay.

9271. Here it is alright but in the district places where you have the old type of *shroffs* they are not in contact with the Imperial Bank and the question is how to bring about such a contact?—If the Imperial Bank has *bada sahibs* they can never come into touch with the *shroffs* in district places.

9272. Do you mean to say that if the working of the Imperial Bank is simplified, it will be possible for the bank authorities to come into touch with the *shroffs*?—Yes.

9273. Your statement seems to suggest that unless radical changes are made in the outlook of the Government of India mere patching here and there will not bring about the results that you want; but, in the meanwhile, do you not think that even in district banking or branch banking progressive steps have to be taken before the goal that we have in view is attained?—Unless we know the nature of the progressive steps you have in mind, it is very difficult to answer this question.

9274. The question that we are just now discussing, *viz.*, the Imperial Bank coming into contact with *shroffs*?—If it is pointed out by which step they can come into very easy contact with *shroffs*, it will be desirable.

9275. *Mr. Desai*: In their statement by the Imperial Bank of India before the Currency Commission Report, Vol. 2, page 21, it is admitted by the Imperial Bank that they have not discounted the *hundis* up to the limit fixed by legislation?—Yes.

9276. Will you give your reasons why the Imperial Bank was not in a position to discount the full amount?—Because they are not in contact with those people who are in need of money. This is, I think, the chief reason. The machinery of the Imperial Bank or the progress of the Imperial Bank has killed the small *shroffs* in villages and thereby these small *shroffs* are even deprived of the most necessary services that a producer will require to finance his crops. This is my view.

9277. That is your view regarding the treatment accorded to *shroffs* in the cities?—They have the limits for *shroffs* to accept their *hundis*. The difficulties are with those who are in charge of the Imperial Bank themselves who come from Madras or Bombay; and it takes nearly 2 or 3 or 5 years to be familiar with all the *shroffs* outside. It is very difficult to know the position of a *shroff* at once. The manager of the Imperial Bank comes into contact not directly but through his assistants. Unless he becomes familiar with them, it is very difficult for him to know the *shroffs*' position.

9278. And the rate of interest also is increased by them?—No; the rate of interest is guided by Government and not by them. They are quite helpless.

9279. I put it before you that if the rate of interest for discounting is $7\frac{1}{2}$ per cent. 2 per cent. to the endorser and $\frac{1}{2}$ per cent. in the working of the capital which in all comes to 10 per cent., is it possible to earn something after deducting 10 per cent interest?—You can never make any profit if this is done at this stage. These are abnormal times.

9280. You have suggested one means to preserve the wealth of the country, *i.e.*, by insurance?—Yes, in which I am interested.

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9281. As a leading merchant, can you suggest any other means of adding to the wealth of the country?—As our Chamber, I think, has already suggested some means, I have not gone into this question.

9282. *Mr. Kamat* : Speaking about the foreign exchange banks, probably you may be aware that in the Japanese banking system if the foreign exchange banks have to begin operations in Japan, they have to apply to the Finance Member of Japan and have to deposit a certain sum of money with the Japanese Government. Also the Finance Member of Japan can, if he likes, put certain restrictions so that foreign exchange banks cannot injure Japan's interests. Do you think that a similar system here is desirable?—Yes ; that is what I have stated in my statement.

9283. If the present Law does not enable the Government to do any such thing, you would rather advocate that legislation should empower the Government to deal with exchange banks in the manner desired to give assistance?—Yes. These exchange banks do not accept our policies and say that ours are a rupee concern and are incorporated in India and all that. These things are tolerated in this country alone.

9284. Speaking about insurance for the poorer classes, *viz.*, the agricultural classes of the country, could you advocate that the limit of policies now in vogue should be lowered so that it should be within the reach of a poor man?—We do not issue policies of Rs. 250, but I think other companies issue policies of Rs. 250.

9285. Do you think that it is possible with that limit to introduce life insurance policies in the rural areas to a very large extent so that people can save their money and put it in insurance policies?—Yes.

9286. *The Chairman* : Are there many insurance companies issuing policies of Rs. 250?—There are very few such insurance companies. The Industrial and Prudential Insurance Co., Ltd., is one amongst them.

9287. Has this company branches in the districts, or is it confined only to the labour population in the city?—It is confined only to the labour population in the city.

9288. But if there is propaganda, would it be possible to introduce insurance in villages?—Yes.

9289. *Mr. Kamat* : Speaking about *shroffs*, you have admitted that a certain amount of change in them under modern conditions is necessary. Would you go further and say in what direction this change could be brought about?—The change will be in getting themselves liquid capital and getting their security properly secured.

9290. Would you ask the *shroffs* to publish every half year or every year a statement of their assets and liabilities or anything of this sort?—No ; I would not go to the extent of enforcing the change that will endanger their safety also. After all, the *shroff* himself may have employed all his liquid capital on his clients. And if a balance sheet is put before a banker, he will certainly withhold giving him any support. If you make it compulsory to publish his balance sheet, it will be a great hardship for him. They would even hesitate to produce their balance sheets before an income-tax officer.

9291. But if the Imperial Bank or any other banks have to recognise *shroffs*, it is necessary that they should be able to inspire confidence and if they publish their balance sheets, not only can they inspire confidence in the Indian mercantile community but also even amongst the European mercantile community. However, you are not prepared to go so far as that?—No ; It will take another 25 years when this can be done, but it will not be so easy to induce the *shroffs* to publish their statement.

9292. Do you not think that their failure to publish their statements is a stumbling block in the way of their getting more facilities from these banks?—One of the reasons put forward is that because they do not publish their balance sheets, the Imperial Bank hesitates to finance them to a large extent; but if you will look at their failures in the past, there will be very few failures of *shroffs*. They always help one another. If you insist that their balance sheets should be produced before the Imperial Bank, I do not think that in that case they will be able to do business.

9293. With reference to the proposal of the Indian Merchants' Chamber that these *shroffs* should be recognised as the Imperial Bank's agents in the *mofussil*, even if they are recognised as such, you would not insist that their balance sheets should be published?—No, there should not be such a condition.

9294. *Mr. Chikodi*: We were told that the private interest of a *shroff* agent would come into conflict with the bank's interest, if he is allowed to do business of his own accord. What is your view?—I do not think that a *shroff* should be a trading man. He should be a *shroff* alone.

9295. He might do banking business on his account?—If he is a trading man and a banker, I think, I should make a distinction. I do not think that there will be any conflict of his private interest with the bank's interest if he does banking business on his own account.

9296. A view was expressed here that if he got facilities from the Imperial Bank, he might speculate with the Bank's money?—If he speculates then he becomes a trader.

9297. How would you prevent it?—We can distinguish whether he is a trader or he is doing *shroffi* business.

9298. *Mr. Buckley*: How did you arrive at your conclusion that Russia has been able to add to their wealth every year during the last ten years? You do not give any figures. I can understand you when you speak about America?—I have no support to this information. I have no authority, but I have read somewhere that Russia's resources have been added.

9299. Coming to the question of insurance and exchange banks, is there not here an association of insurance companies?—Yes, there is an association of insurance companies.

9300. Have you made any representation to the exchange banks on this subject?—We have individually made representations.

9301. You said that there should be mutual trust but that may be of very slow growth. It may take a considerable time for the mutual trust to grow?—No; it should be a nearer day. You can create a mutual trust if you have a mind to do it.

9302. That is why I asked whether you have made any approaches from your insurance Association?—We have individually made approaches. I approached the Bombay Chamber of Commerce and they desired that I should address them a letter and that they would consider it.

9303. That might prove to be a good line to advance?—Yes; but, what I wanted to bring to the notice of this Committee is that, if they are going to consider the provincial banking, they must also look to the resources or wealth in this country and if anybody prevents the resources from being collected in India, such an obstacle may be removed and it may be in the province of this Committee to make such a recommendation. I will take your suggestion in a collective way to the Exchange Banking Association.

Mr. Lalji Naranji.

9304. How did you get the figure of 20 crores ?—It is only an estimate.
9305. Do you think that it is accurate ?—Yes. You are aware that last year there was a bill before the Assembly about the collection of statistics of insurance premia and from now you will be able to obtain more exact information.
9306. *Mr. V. L. Mehta* : Has the insurance company that you are connected with any business out of this country ?—We have business in America.
9307. Do you work under any restrictions ?—We have to submit to their laws.
9308. If foreign insurance companies do business in India for life assurance or for general insurance, have they to submit to any similar restrictions here ?—There is no such law in this country.
9309. At present you work under certain restrictions in foreign countries and foreign companies work here without any restriction, is that the position ?—Yes.
9310. You said that at present there is practically no restriction about the manner in which you can spread out your investments ?—But for the sake of our own credit and our policies being accepted and to create confidence with the bankers we have to keep gilt-edged securities as far as possible.
9311. You might have heard about the proposal to start mortgage banks. Do you think the debentures of these banks would rank amongst the gilt-edged securities for which insurance companies could go in ?—This depends upon the guarantee offered to people.
9312. Suppose Government offers a guarantee, will there be then any difficulty ?—No.
9313. Then about warehousing, I think you were mainly referring to the warehouses in Bombay and upcountry places for manufactured articles ?—And for agricultural products also.
9314. Do you think that there would be demands for facilities like that for commodity like cotton ?—Yes, there may be.
9315. There has been a feeling which has been given expression to by some witnesses that for foreign piece-goods the warehousing arrangements are satisfactory whereas the warehousing arrangements are not satisfactory in the case of local manufactured articles. Is this also your experience ?—Yes ; but this is not the fault of any one except those who complain. If they want to warehouse their articles, the banks will be willing to do.
9316. This means that there must be some combined effort on the part of the piece-goods merchants ?—Yes.
9317. In the remittance of your funds about which you said you had some difficulties when you have to send out money for purchase of cotton, do you not take advantage of the treasury by means of supply bills ?—This is all done by the Imperial Bank of India and their charges are very high.
9318. As regards the suggestion regarding a *shroff* being appointed as the agent of the Imperial Bank of India, you said in reply to the Chairman that he would be responsible for the financing that he undertakes, but would you like this individual to function as a general agent for all kinds of business which the Imperial Bank would transact ?—He will be the sole man to repay to the Bank.

(The witness withdrew.)

THE BOMBAY NATIVE PIECEGOODS MERCHANTS' ASSOCIATION.

Replies to the Questionnaire.

SECTION I.

QUESTION 1.—Agriculturists generally obtain financial facility from *sowcars* or money-lenders for expenses in connection with cultivation and buying of seeds at a high rate of interest. In the latter part of the year even for household expenditure a cultivator has to depend on his money-lender.

Generally, the rate of interest to agriculturists averages between 9 per cent. and 12 per cent. per annum. Loans are generally given for one year, sometimes on standing crops or on credit. To small agriculturists even co-operative societies charge 12 per cent. interest. In this country, great need exists for obtaining credit by small cultivators and industrialists at cheap rate of interest. 12 per cent. is a very high rate, but when Government borrows at 5 per cent. and local bodies have to pay about 6 per cent., it is impossible to expect poor illiterate people to get money at less than 9 to 12 per cent. Under these circumstances, Government should try to bring down the rate of interest of their own borrowings by minimising to a considerable extent or by strictly reducing expenditure on public works, railways, etc., etc.

Before War, Government borrowings were much smaller than during and after the War.

The part played by Government in the sphere of agricultural finance is that Government dues are collected just at the time when the crops are about to be ready, which tells heavily on the poor agriculturists and as a result they have to dispose of their produce at considerably reduced rates. The Imperial Bank and the joint stock banks help big merchants in towns where they have got their own branches, but in small places and villages, *sowcars* or money-lenders play an important part and are in fact small banks by themselves with the result that small agriculturists and industrialists are considerably helped in their financial requirements by them. The co-operative banks charge high interest to co-operative societies which charge a still higher rate to its members. All this is generally due, as stated above, to Government borrowing money at a very high rate of interest. How high the average rate in this country is will be illustrated by the fact that the average bank rate of the Imperial Bank for the whole year comes to little more than 6 per cent. generally. Even big merchants and industrialists have to pay at least about 6½ to 7 per cent. per annum for a loan for 12 months and also co-operative banks obtain financial help at about the above stated rate, viz., 6½ to 7 per cent. Unless the rate of Government borrowing is reduced, little can be done by way of help to small agriculturists and industrialists.

It is very difficult to give an estimate of the total amount of capital required in district or in provincial towns. It is possible to get figures showing the amount of advances by the Imperial Bank, exchange banks and joint stock banks. There is no co-ordination amongst the various credit agencies and Government and there is a necessity for a proper co-ordinating organisation being brought into existence.

QUESTION 2.—A cultivator is not able to sell his produce in the place where it is grown. He has to take it to a market near by, where, he thinks, he can get a better price for his goods within a radius of about thirty miles and sells it to either a middleman or foreign exporter or to a *sowcar* or money-lender, if he has raised money from him. For financing of products at the time of the marketing, the local middleman who buys the

produce is generally a *sowcar* or a man who has got credit from the *sowcar* or the foreign operator who gets cash from principal towns or through banks.

In my opinion, if efforts are made by Government it is possible to form pools or co-operative societies for marketing produce, if advantages are pointed out to small producers by formation of such institutions either by Government or local bodies or by producers generally with the help and guidance of Government officials of the place. There is a special difference in credit facilities between internal trade and foreign trade. The internal trade is wholly financed by local money-lenders or *sowcars* and the external trade is financed wholly by the Imperial Bank and exchange banks.

In upcountry places, merchants, *sowcars* and money-lenders play an important part and banks do nothing there.

Banks, big merchants and bankers and dealers play an important part in marketing produce in large cities.

The existing facilities available to the public are through the head office of the Imperial and joint stock banks or through their branches or by *hundis* through local *shroffs*.

In my opinion, the duty on bills should be abolished or reduced by stages and ultimately abolished.

The classes of *hundis* in Bombay Presidency are known as *darssani hundi* payable at sight or *mudati hundi* payable from one month upto a year from the date of its issue according to the arrangement made at the time of drawing money.

Hundis are discounted generally by local merchants or commission agents.

The instrument pointing out the ownership of goods is generally a railway receipt or taking over possession of goods against money lent. People generally do not know the advantages of utilising licensed warehouses. We do not think there is a great need for such facility.

QUESTION 4.—There are few land mortgage banks or agricultural banks for obtaining long-term credit in this Presidency, though the need for such is very great.

I suggest that Government should create some sort of organisation for advancing loans on a certain percentage of paid-up capital subscribed by local enterprise with proper safeguard at a nominal rate of interest, *viz.*, at the same rate that they get from the Imperial Bank for Government funds.

In addition to money raised by the land mortgage banks or agricultural banks by way of capital and the portion of Government help, the bank may be able to raise additional funds by way of long-term deposits or debentures for a long period if Government give certain percentage of the paid-up capital, and consequently, there would be no need of Government guarantee or Government loans. For the safety of Government, it must be provided that they should have power to appoint at least one or two directors.

Government should charge to land mortgage banks or agricultural banks and co-operative banks the same rate at which they are able to borrow their own loans from the public with a small addition for the costs say $\frac{1}{4}$ per cent. Such banks can borrow from public as long-term deposits at about $\frac{1}{2}$ to $\frac{3}{4}$ per cent. more than the rate paid by Government for its loans.

Such a bank should only advance on the security of a co-operative society or on mortgage of property to the extent of say 75 per cent. of its market value with power to ask for additional security in case of a fall in the value of land. I do not consider previous indebtedness of agriculturists is to be taken into account, if the above-mentioned procedure is observed.

QUESTION 5.—The rate generally charged is 1 per cent. per annum, if not more. In cases where the debtor fails to pay the loan, a suit is filed and decree obtained. We consider the present state of poverty amongst agriculturists is due to sub-division of land rendering holdings so small that it would not pay agriculturists, however experienced they may be. He holds the land simply on account of sentimental feeling of possessing ancestral land.

QUESTION 6.—There is almost no subsidiary industry worth mentioning. Schools should be started with advantage if real efforts are to be made to raise the condition of agriculturists for giving lessons in cottage industries, say carpentry, hand-spinning, weaving, knitting, sewing, etc. Also efforts should be made to form societies for developing cottage industries, with a small capital by keeping up handloom weaving shed, spinning shed, knitting factory and blacksmith shop, etc., etc., to assist cultivators to earn additional income during spare time.

Marketing facilities for such enterprises would come into existence by themselves, if the members of the above-mentioned society have got sufficient energy. The only help that Government should give to such a society is to give free advice in the beginning through its Industries Department and arrangement should be made that the head of the Industries Department should pay periodical visits to such institutions.

There is no proper system in existence for co-operation between the co-operative societies and the Imperial Bank and other joint stock banks.

There is no competition between co-operative banks and joint stock banks. We consider it desirable that Government should exempt from income-tax and stamp duty genuine co-operative societies, and also debentures issued by provincial co-operative banks, agricultural banks and industrial banks.

SECTION II.

Bombay *shroffs* do not finance agriculturists but indirectly help the upcountry agriculturists or money-lenders by financing and by helping to sell the commodities in Bombay. There are a large number of *shroffs* in Bombay and the principal cities in the presidency who act as banks and form a chief centre for giving financial convenience to trade and commerce of this presidency. A majority of these *shroffs* receive financial help from the Imperial Bank and other joint stock banks by way of short-term *hundi* at the prevailing bank rate of interest on the security of another banker by way of endorsement on the *hundi*. Their expenses are very small as compared with those of any joint stock bank or the Imperial Bank. The relations between the indigenous banks, the Imperial Bank and the joint stock banks are cordial to some extent, but joint stock banks managed fairly by Indians do not receive sympathetic treatment from the Imperial bank to some extent.

The method followed by indigenous bankers is to give facilities to indigenous merchants or traders by short-term *hundis* and a large volume of business is done through these facilities in Bombay, Ahmedabad and such other big places. Cash credit system does not prevail with the Indian bankers or *shroffs* to a large extent. On the contrary, these *shroffs* or bankers receive loans from rich people. They receive deposits at rates variable according to season but generally at the bank rate. Generally the practice of up-country merchants is to get their accommodation by appointing a *shroff* or banker as commission agent and draw their *hundis* against goods, the latter getting commission for the sale of goods.

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In upcountry places situated near Presidency towns and doing a considerable amount of business merchants have generally to pay 1 or 1½ per cent. more in interest than the bank rate in the Presidency towns, but in the interior small places agriculturists have to pay at least 2 to 3 per cent. more than the bank rate. It is possible to bring down the rate of interest by adopting the following measures, *viz.*, the Imperial Bank which holds a large sum of money of Government should be asked by Government to appoint a *shroff* or money-lender as its agent by payment of adequate remuneration after getting sufficient security for the funds put at his disposal at a rate of interest slightly more than the bank rate taking into consideration the commission and other expenses connected therewith and similar arrangement. By doing this, a large number of *shroffs* or bankers will be acting as branches of the Imperial Bank and thus utilise a large sum of money at a remunerative rate thereby giving monetary facility to agriculturists and merchants. As a rule, the Indian *shroff* or banker charges very high rate of interest which rate could be reduced generally by arrangement as stated above. The Imperial Bank at present confines its activity in financing trade, commerce and industry to Presidency towns. Generally, as far as *mofussil* and upcountry places are concerned, they have to depend on the *sowcars* who act as middlemen and they live on the high rate of interest for giving monetary facility in upcountry.

Reduction in rate of interest means to agriculturists or merchants a great deal, because they form the backbone of the country's trade and commerce. If these classes prosper, the prosperity of the whole country will be improved and trade, commerce and agriculture will be developed greatly. The present condition of the poor agriculturist is largely due to his inability to get financial facility at a cheap rate of interest. By way of example it may be stated that even agriculturists have to pay about 12 per cent. per annum for getting monetary facility even from co-operative societies and from *sowcars* at a still higher rate, but, as stated above, if the system suggested is properly developed, the rate of interest can be materially reduced. Also Government can see their way to assisting the co-operative banks by lending money to them after providing adequate safeguards instead of keeping large amount of Government's funds with the Imperial Bank which simply helps big industries and foreign import and export trade when the real backbone of the country, *viz.*, the agriculturists and merchants are saddled with high rate of interest. The co-operative bank may be asked to arrange for lending to co-operative societies at a cheaper rate of interest than what is being done at present.

The indigenous banker or money-lender expects to earn at least 8 or 9 per cent. interest per annum for his capital. There is no prejudice against indigenous bankers. The chief facility that a banker requires is disposal of his suits for recovering his dues, because it takes a very long time and a tedious process of litigation. What is wanted is a commercial court where arrangements should be made for disposal of commercial suits and suits arising out of money-lending business speedily and at cheap cost. Legal costs are very heavy and it takes a long time for the disposal of a suit ordinarily of a commercial nature. The bankers can be made more serviceable by employing them as agents of the Imperial Bank, because it would be a cheap agency as compared with a very costly management of a branch. The accounts kept by bankers and *shroffs* are generally in a systematic manner, but they are not open to verification by customers. The indigenous bankers would oppose the introduction of any measure for either regulating their operation or for giving publicity to the same, but those people who style themselves as bankers should be compelled to file their annual balance sheets with the Registrar which would considerably improve the present condition. If bankers and *shroffs* are appointed agents of the

Imperial Bank in the *mofussil* it will form a useful net-work for providing monetary facility in almost all places of the country, both big and small, according to the requirements of each place. Given sufficient latitude such agent or local banker would inspire confidence of indigenous bankers by giving them credit facility according to their needs. Those *shroffs* who are agents of the Imperial Bank should be treated as bankers by the Central Reserve Bank and the same credit facilities as are given to other bankers be given to them.

The money in the hands of indigenous bankers always finds employment throughout the year. No amount of money flows into provincial capital for a long or short period.

Generally, the system of lending and borrowing does not require any improvement. The present system works well provided the bankers or *shroffs* can borrow at a cheap rate from either the Imperial Bank's agents or branch. Unless this is done, cultivators or small industrialists cannot be helped adequately. What is wanted throughout the country is cheap money by those who require it for producing and marketing facility at cheap rate of interest.

We think, large funds of Government which are kept in the Imperial Bank at a low rate of interest help to earn large profits to the shareholders of the Imperial Bank, and rural people who form the backbone of the country do not get any help of getting money at cheap rate of interest, which fact deserves a very careful consideration.

SECTION III.

INVESTMENT HABIT AND ATTRACTION OF CAPITAL.—The banking resources of a province are through *shroffs* or bankers. Excepting Presidency towns, in *mofussil* the only institutions of encouraging savings are post office savings banks or postal cash certificates.

For persons unwilling to earn interest, if six months and one year bonds are issued by the post office by payment of Rs. 2½ for every Rs. 100 received for a six months bond or Rs. 4½ for a bond of Rs. 100 for one year, it will be considered as profit and practically the objection of earning interest will not remain.

The habit of the people of India to invest in silver and gold and land is a very old custom which acts as what is known in modern times as life insurance. Poor illiterate people believe that any saving, which they could make from their income, if invested in silver or gold will remain in their possession by way of ornaments which is kept always on their wives and children's body without being stolen, and it becomes handy in cases of need for disposal, and again if there be saving, it can be bought again. So it is a very convenient transaction for those poor illiterate people and also serves as life insurance for the benefit of one's wife or children. In case of insurance companies, a premium paid is not generally available in case of need but becomes only available after death.

Postal cash certificates are popular to those who want to invest their savings for a long term. If facilities are provided, as stated above in answer to a previous question, by creating system of bonds payable after six months or one year, it will also induce large number of people to invest their savings in it.

Generally middle class people resort to savings bank facility. The interest in case of savings banks should be raised to 4½ which would attract more people to invest their savings in savings banks. It is the low rate of interest that does not attract

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sufficiently people of middle or poor classes to take the benefit of postal cash certificates and savings banks.

We do not consider there is any competition of Government with banking institutions and banks in regard to deposits by their attractive rates on postal cash certificates and treasury Bills.

In big cities, the habit of people with reference to money which comes into their hands by sale of produce or through any other cause is to invest funds in what is known as slack season period at a low rate of interest to borrowers or banks by way of short-term loans.

Generally, the farmers invest surplus money in a prosperous year in gold and silver. Many people hesitated to open current accounts with a bank only on account of stamp duty on cheques, but since the duty on cheques is removed people resort to opening current accounts with the banks freely. The public, and especially the class of people who do not know English, would be helped considerably, if vernacular scripts are used in banking.

The opening of branches by the Imperial Bank has given facility to purchasers of produce in *mofussil* places to those who carry on business in Presidency towns in season.

If an attempt is made to open investment trusts and if Government help these trusts in their initial stages, there is every possibility of their success by way of creating facility to investors generally and helping the needy people in obtaining monetary help.

**Sir MANMOHANDAS RAMJI, Representative of the Bombay
Native Piecegoods Merchants' Association.**

Oral Evidence.

9319. *The Chairman* : Sir Manmohandas, you are the President of the Bombay Native Piecegoods Merchants' Association ?—Yes.

9320. What is the membership of this Association ? Is it confined to members belonging to Bombay city alone ?—Yes, those Indian merchants who deal in piecegoods.

9321. Could you tell us how the piecegoods business is financed ? Do the merchants usually import through the importing firms or direct ?—They import through the importing firms to a large extent, but many of our members have business connection with the manufacturers direct, and they also sell to other merchants in Bombay.

9322. Are they wholesale merchants ?—Yes.

9323. Have they to pay cash, or do they import goods on credit ?—Generally the documents come through banks, and banks hold goods until they are required for delivery, and they give piece-meal delivery.

9324. Are these kept in Port Trust warehouses ?—Yes.

9325. As regards those who buy through importing firms, does the same system prevail ?—In that case the importing firm gives the delivery order ; and sometimes when they have paid remittance transfer receipts through the bank, they hold the receipt for the goods in the Port Trust godowns, and they give delivery order ; but when they

have not financed the goods, and when banks advance the money, the delivery order is given through the bank.

9326. For what period is this accommodation given by the banks?—Sometimes it exceeds twelve months and even longer. Of course, the interest goes on.

9327. Do you think that the present financing facilities are quite adequate?—Yes.

9328. When these wholesale merchants sell to retail merchants, either here or up-country, do they get cash, or do they sell on credit?—If the transaction takes place through a commission agent in Bombay, the arrangement is that the agent pays at his convenience to the merchant, and he pays interest. It depends on the kind of goods; sometimes three days are allowed and in some cases a week, and after that period the interest runs.

9329. Is any part taken by *shroffs* in financing this piecegoods business?—Those merchants, who want accommodation, may arrange with *shroffs* or banks. As far as the import trade is concerned generally banks finance it.

9330. Apart from these Port Trust warehouses, are there any other warehouses?—No.

9331. Do you think such a system would be useful?—For retail trade it would be useful. Those who want to sell by piece may take delivery of a bale and do it; but that difficulty is experienced by the dealers, who deal in locally manufactured goods, that is, goods manufactured by mills. They have no arrangement of warehousing and credit as the imported goods have.

9332. That is to say, if a piecegoods merchant wants to buy directly from a mill, he has to pay cash?—He has either to pay cash and take delivery, or some merchants get credit also from the mills; but it depends on the credit of the merchants, and they have to pay interest.

9333. Are *hundis* largely used in any of these transactions?—Not generally; but when the upcountry merchants buy goods through local agents, they have *hundi* dealings with them.

9334. Do the piecegoods merchants require any finance except for the purchase of goods?—They do not require.

9335. Coming to your statement, you say that Government should reduce the rate of interest. How is that to be done?—If they go on borrowing at 6 and 7 per cent., how is it possible to expect trade and commerce to get money at a lower rate? Formerly, Government borrowings were very small, and they used to consider one crore or one and a half crores borrowings as very heavy, and Mr. Buckley will perhaps bear me out. But now they are borrowing up to thirty to forty crores, and all the borrowings that Government takes on a large scale for public works and other departments affect the commerce because the rate goes up. Formerly in the months of September and October in the rainy season the bank rate used to be three per cent., but now it is never below five per cent. It goes up and remains at the average of $6\frac{1}{4}$ and $6\frac{1}{2}$ per cent. That is the Imperial Bank rate.

9336. Do you not think that more money is required by Government for public works?—They do require but there should be a limit. The more they borrow, the more the burden on the taxpayers.

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9337. You say that Government dues are collected just at the time when the crops are due to be ready. Are not instalments fixed at such time that the crops are then already ready?—I cannot say authoritatively, but from what little I know, the system is that at the time of *kist* the cultivator has to either sell his crop or mortgage it and pay Government dues.

9338. You know the enquiries held by the Indian Central Cotton Committee. In several districts they found that the cultivator was not compelled to sell his cotton because of his financial requirements?—It may be about wealthy and rich cultivators.

9339. They made enquiries about all?—I am not prepared to take that statement as showing a general state of affairs. As far as general classes of cultivators are concerned, I think my statement is correct.

9340. In your statement you say: "There is no co-ordination amongst the various credit agencies and Government, and there is a necessity for proper co-ordinating organisation being brought into existence." Have you any definite suggestion to make?—If there is a sort of co-ordination amongst the societies and banks, it will be useful.

9341. You say that in case of land mortgage banks, if Government contributes something to the paid-up share capital, there is no need of Government guaranteeing debentures. Do you think people would go in for debentures if there is no Government guarantee?—I think there are many people who want to earn interest, and in my opinion Government should subscribe their quota laid down by a proper enquiry, say about twenty per cent. of the capital, and there will still remain room for the people to invest.

9342. Speaking about subsidiary industries, you say that marketing facilities for such enterprises will come into existence by themselves. We have been told that it is difficult to get such marketing facilities?—If co-operative sale societies are properly organised, I think there is every possibility of getting marketing facilities for the small industrialists or industrial concerns as they have done in the initial stage in Italy. The producer in upcountry place does not know where to sell his goods, and if he gets credit to sell his goods in the best market where he can get the best price, it is to his advantage. At present the middleman takes away all the profit that he is able to earn.

9343. Speaking about the indigenous bankers, you say that a majority of *shroffs* ask for help from the Imperial Bank and the joint stock banks?—Yes, they get credit from the Imperial Bank by joining together and sharing half and half. Suppose if I am able to raise Rs. 50,000, I take Rs. 25,000 and my partner will take Rs. 25,000. We both give joint signatures.

9344. In the next paragraph you say that the indigenous bankers give facilities to indigenous merchants or traders by short-term *hundis*. We understand that most of the *hundis* issued are *darshani hundis*?—The *darshani hundis* as well as three months after sight *hundis* are issued, but the latter are becoming rarer.

9345. Why are they becoming rarer?—After the War people have lost confidence in one another.

9346. Do you think that the fact that the *mudati hundis* have to bear a stamp comes in the way?—The stamp has to be given out of somebody's pocket. If it is done away with, it would be better. Germany generally sells goods at six months credit. You can import from Germany, if you have credit enough, on a credit of six months, and here the merchants buy German goods and they sell them readily in the market at

a small profit and do another business and after six months they pay the money. We have not known that system in India. We get goods even from Lancashire, where there is banking facility, but there is not that facility of getting credit here. I am talking of piecegoods. That is a great facility and that has helped to develop the German trade so much.

9347. How do they fix the credit? Have they any local agents?—They fix through the exchange banks.

9348. Do the exchange banks take any responsibility?—They take certain deposits from the party.

9349. Do you want separate courts to be established?—Yes, because the great difficulty in these days is that there is a long delay in the High Court in the disposal of suits. If there is a suit in the High Court it takes several years, and by that time the debtor becomes insolvent and the creditor does not get anything. This long delay in the disposal of suits is a great handicap in the credit system of this country. I have a suit, which was filed in 1920, and it has not yet reached the stage of hearing. It appeared once on the board and then disappeared.

9350. Is it a commercial suit?—It was a land acquisition case. But even in commercial suits it is the general practice that one cannot get justice before four or five years, and that system has encouraged dishonesty to a certain extent. People go to court simply to avoid the debt.

9351. You speak about the desirability of giving facilities for people to invest in postal cash certificates and savings banks. We have been told everywhere that these savings bank deposits and postal cash certificates have been competing with the *shroffs'* business and that *shroffs'* deposits have been reduced because of the favourable terms, especially in the case of postal cash certificates?—I do not think that they come in the way of *shroffs'* business, but they have not helped to reduce the general rate of interest charged by *shroffs*.

9352. *Mr. Kamat*: When you complain that Government borrows very heavily, probably you know that all these borrowings are for developing the country, say for irrigation purposes for the agriculturists, or for the railways for the transport of goods of merchants. Do you mean to say that they should not borrow and develop the country?—They should borrow and develop the country, but is it not a fact that Government neglected for so many years their duty and have now come to the help of the country?

9353. Whatever may be the past, do you suggest that these borrowings should be stopped and the development should be stopped?—What I suggest is that big schemes, like the Back Bay and other big schemes, which meant in the origin to get some work for somebody, should not have been taken in hand without due consideration.

9354. About the rate of interest on such borrowings, take for instance 1939-44 loan which was issued at five per cent., do you think that Government can borrow cheaper than that?—Yes, if they reduce their borrowings.

9355. You yourself suggest that in the case of postal savings bank, Government should raise the rate to 4½ per cent.? On the other hand, if they borrow at five per cent., do you think that is a high rate of interest?—Yes.

9356. About the locally made piecegoods, have you any agency for sale of these goods in countries outside India, say Egypt and Alexandria and such other parts of the world?—

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We have merchants coming here to buy our goods. With regard to establishing our business connections there, the laws come in our way to a great extent. We tried and sent our representative, a traveller, in the whole of Egypt some years back, and the difficulty that we had and even to-day is that, if you sell goods on credit and if you have to file a suit, you have to lodge in the court the whole amount that you want to claim from the party.

9357. As regards the competition of Japanese piecegoods, do they compete because they have financial facilities from their own country?—Yes, they have indirect facilities: financial facilities from their banks, shipping facilities and several other things that they can do in their own country. They supply their own country with bulk of their production in their mills, and what surplus they can produce, they send down here and can afford to undersell the local production of India. All these things taken together help them to bring their goods and sell them here so cheap.

9358. But there is nothing in the direction of financial facilities which would help your piecegoods trade, either to hold your own against Japan or hold your own in foreign countries?—The financial facilities, if any, would greatly help the local industry. The imported goods do not require any finance, because the exchange banks are very keen to finance this business. The National Bank gives credit on goods to the extent of about a crore or a crore and a half throughout the year. So there is ample provision there. But in the case of the local merchants who deal in locally made piecegoods, if he has to buy from the mills, he has to pay for and take delivery of the goods. He has no other remedy to get credit unless he goes and pledges his goods with some bank, and on account of some recent happenings, even the banks are getting stricter and stricter to advance on piecegoods.

9359. Do the upcountry merchants get credit if they buy direct?—Because they do not buy wholesale, but they buy only two or three bales, and therefore, it is not possible to give them credit. If there is warehousing facility, just as there is facility in the Port Trust, and if an arrangement is made for a dealer to take his goods in the warehouse and get monetary facilities, that is the only way of giving the credit facilities to the commercial community, especially the small traders.

9360. That means warehouses almost in every *taluka* town and upcountry?—Yes.

9361. *Mr. Buckley*: About this question of co-ordination amongst the various credit agencies and Government, would you be in favour of an annual conference, where all these agencies would meet together and discuss various questions?—It will go a great way, because all the questions will be discussed there, and prominent questions will be given importance.

9362. You suggest that 75 per cent. of the market value should be advanced in the case of mortgages on property. Is not that a high figure?—If the property is good, 75 per cent. on property is not an unfair demand, because property generally fluctuates in prices much less than commodities, because there is speculation there. Here there is no speculation generally. In abnormal times there may be speculation in property, but generally it is steady.

9363. What do you mean exactly by saying that the Indian joint stock banks do not receive good treatment from the Imperial Bank?—It is a patent fact; it does not require any explanation. If any accommodation is required by an Indian joint stock bank, I think, the Imperial Bank does not properly accommodate.

9364. Do you think that some of this unsympathetic treatment is because they are rivals to the other joint stock banks?—Not necessarily; the Imperial Bank does not stand any competition from any joint stock bank in India. It is placed under favourable conditions by Government, and it is the only way in which it can show substantial results of its work. If Government help is withdrawn, it will be very difficult for the Imperial Bank to carry on in competition with any joint stock bank. That statement I am prepared to stand by and prove.

9365. Do you consider that there is much prospect of insurance business in districts?—Yes, if there is facility. The present local insurance companies have not thought of tapping that branch of business; and if they tap in upcountry, in some places in the interior, where insurance business is not known, they would succeed. There the people have no idea of insurance. They are always thinking of preserving gold and silver.

9366. *Mr. V. L. Mehta*: About the warehousing arrangement for imported piece-goods, are all arrangements made by the Port Trust?—Only the building belongs to the Port Trust, the rest is done by the banks. The finance is provided by the banks.

9367. Who, do you think, should take the lead in providing these warehousing arrangements for local piecegoods. Should it be done by the mills, or by the piecegoods dealers, or by the banks, or do you think that they should combine together?—It could be done on a co-operative basis as in America they co-operate for the financing, marketing, warehousing and purchasing of cotton. Some organisation should be brought into existence by all the parties concerned, namely, the merchants, mills and banks, and in the early stages, there should be some sort of Government supervision and indirect help. I do not mean that Government should pay money, but they must guide people and see that the organisation is properly worked in the initial stages.

9368. With regard to borrowings by Government, I do not suppose you disapprove of the policy by which more is borrowed in India than outside?—That is right; I do not object to borrowing even in foreign countries, provided they are able to get money at cheap rate.

9369. With regard to borrowings by Government, we have at present the system of Government loans, treasury bills, postal cash certificates and the post office savings banks. In addition to these four methods, you suggest that some sort of bonds should be issued by Government at $2\frac{1}{4}$ per cent. for every Rs. 100 for six months and $4\frac{1}{2}$ per cent. for Rs. 100 for a year?—That suggestion was made by me in view of any religious objection to earn interest.

9370. *Professor Kale*: Do you think that there is sufficient scope for Investment Trusts in India?—If there is an organisation brought in existence, people would largely go in for that, because there are many people, who have money, but who have no knowledge how to invest it.

9371. Would you include in the avenues of investment shares of joint stock companies?—I would provide in that organisation no share transaction at all.

9372. What would be the scope for investment to these Trusts, if they are not to invest in shares of joint stock companies?—They can lend money on estate or on goods or on credit wherever they can find it convenient. They need not borrow money and invest in shares. That means no facility at all. It will simply encourage speculation.

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9373. What Government help do you expect in the initial stages? What is the nature of the Government help for these Investment Trusts?—In the first place, to create confidence there must be Government connection.

9374. Government guarantee?—I do not go so far as Government guarantee; but there should be some sort of Government connection by way of supervision and some hand in the proper working of the organisation.

9375. You are aware that recently the rate of interest has been high in India and in other countries? The general rate of interest throughout the whole world during the last few years has been high?—We are experiencing this state of affairs for the last ten years; and when the bank rate goes up in England at 5 per cent., there is hue and cry raised in financial circles, and here it is an ordinary affair between 6 and 7 per cent.

9376. But you are aware that some Indian money goes out also for investment, as soon as there is a high rate in foreign countries?—In some borrowings by some countries, where on account of the credit of the Government if they are raising money for inevitable purposes, surely the money may find its own way and its own level wherever a high rate of interest is earned.

9377. If Indian capital is going out to earn a high rate of interest, the Government of India will find it very hard to borrow at a low rate of interest?—But their requirements should be limited as not to create so much borrowings.

9378. You say: "The rate generally charged is 1 per cent. per annum, if not more." Is it correct?—No, it should read "1 per cent. more than the prevailing bank rate of interest." The rate generally charged is 1 per cent. or $1\frac{1}{2}$ per cent. per annum more than the prevailing bank rate. The system here is that supposing a *shroff* can get money from the Imperial Bank at the bank rate, which may be 6 per cent. he charges 1 or $1\frac{1}{2}$ per cent. more. Even banks do the same thing. Banks charge $1\frac{1}{2}$ to 2 per cent. more.

9379. *Mr. Desai*: You say: "The indigenous bankers would oppose the introduction of any measure for either regulating their operation or for giving publicity to the same." Supposing, for a moment, that they would agree to get themselves registered, do you think that they would get the same facility as their competitors are getting from the exchange banks?—Registration would not do away with that difficulty or that suspicion from the minds of the people; but if their accounts are filed with the Registrar, it will give facility to those people who want to have business connections and who want to lend to these *shroffs* or these bankers after getting some information as regards the stability of these people.

9380. Would the Imperial Bank give the same facilities as the exchange banks are giving to the foreign exporters?—That is the whole point. The Imperial Bank's business is confined, as it is to-day, to finance the export and import trade in the Presidency towns only. They do not provide for any other facility in the *mofussil*, where it is practically needed by small people, and the bulk of the whole lot of our Indian business is in the hands of the small people.

9381. If the *shroffs* in Bombay would be agreeable to get themselves registered, would not the Imperial Bank give them the same facilities, as their competitors are getting from the exchange banks?—I do not think even the registration will give that confidence. In the case of joint stock banks, the investor goes and sees the balance sheet and he knows the position of the concern. In the case of *shroffs* there is nothing available. To avoid suspicion in the minds of investors, the *shroffs* would be better off in getting

more monetary deposits from the public, if their balance sheets are published and filed in the Registrar's office.

9382. What other means do you suggest for getting the same protection and the facilities as foreigners are getting from their banks, say, Messrs. Ralli and Volkart Brothers?—We are talking of facilities to *shroffs*. The facilities, that I talk about Germany, are by the merchants themselves. The *shroffs* find no difficulty in getting money from the Imperial Bank or from local money-lenders. If two parties combine, they can borrow any amount of money from the Imperial Bank.

9383. Suppose one party wants the facility, what would happen?—He has to satisfy the authority from which he wants facilities.

9384. In the case of foreign merchants, can any party get the facility?—On the security of goods.

9385. Only the goods hypothecated and not in the possession of banks?—Certainly, the goods remain in the possession of banks, and the merchant has to tender money before he gets the delivery order, of course, not in the whole lot. Supposing there is a consignment of five bales, and I want to take delivery of one bale, I pay Rs. 400 or Rs. 500, the value of that bale, and take delivery of it. That sort of facility is accorded by the exchange banks.

9386. That is for Indian firms; I want to know about foreign firms?—Foreign merchants get all sorts of facilities, even from the Imperial Bank and other banks. There is a distinction there.

9387. What is the reason for the distinction, and how can this distinction be avoided?—This distinction has been in existence for a long time, and perhaps it is a question of confidence. We Indians know our Indians far better than a foreigner would do. That is one of the grounds, and illiteracy and ignorance to some extent would go to account for this distinction.

9388. Are these big merchants illiterate?—These big merchants are looked upon with a suspicious eye. I am not here to create any class distinction; but there is a sort of feeling lurking about, and there are reasons for it.

9389. And this Committee is to devise means as to how to get rid of these disadvantages and it would be very useful if leading and experienced merchants like you would enlighten this Committee?—The Reserve Bank would do away with some of these difficulties and it would be useful, if there is sufficient encouragement to the public spirit to float Indian joint stock banks, the absence of which is a great drawback to the country. There should be about a hundred joint stock banks, I do not mean big banks with a capital of crores of rupees, but small banks, and there should be Indian management. A great need of this country is to have more of joint stock banks, both small and big.

9390. And these small and big joint stock banks should be managed by Indians?—I do not say exclusively by Indians. I should like Indians, but where they fail, they might get help from others who are better qualified.

9391. What part does the bank play in financing imported piecegoods?—They play the whole role of financing from the initial stages when goods are sent out or exported till they are sold in the principal towns. They are financed by exchange banks.

9392. How are mill-made goods financed?—In that case the upcountry purchaser has to provide his own credit facilities; he must be able to pay for and take delivery of the goods.

Sir Manmohandas Ramji.

9393. *Mr. Chikodi* : You say that the opening of the branches by the Imperial Bank has given facilities to producers in the *mofussil*. May I take it that you are in favour of opening more branches ?—No, I am not in favour of opening more branches of the Imperial Bank, because they are very expensive. I am for any bank which should have branches all over the country, but I am opposed to branches of the Imperial Bank, because their management is very costly, and, therefore, in more than one place I have suggested the services of local *shroffs* who are in a better position to look after and distribute the credit required by the people.

9394. Are you in favour of employing local *shroffs* as agents of the Imperial Bank ?—Yes.

9395. On what terms ?—On suitable terms, and the terms should be such that the bank may not be a loser. That is a matter of detail.

9396. You have said that the Government dues are collected at a time, which is unsuitable to the agriculturists. Would you suggest any other time ?—It should be made payable in instalments.

9397. It is now being paid by instalments ?—If it is so, I have nothing to grumble. I stated this because I know, when I go to Poona, I am offered certain commodities by agriculturists and told that it is *kist* time and they want money to pay the Government dues. In case of hay I can get it at four or five rupees cheaper in January and February.

9398. Have you any knowledge of the working of co-operative sale societies ?—I was approached by one or two institutions to help them, but personally I have no knowledge of them ; but I think it would be useful if societies are formed to help small people who are engaged in small industries, like the cottage industry. They find it very difficult to sell their produce, and they have to sell it at a loss, because these poor people cannot afford to go to Bombay or Sholapur to dispose of their produce.

9399. If local dealers arrange things in such a way that co-operative societies are not in a position to run at all ?—How ?

9400. The *dalals* may organise to boycott them ?—Why should they boycott them ?

9401. That is the experience ?—I am surprised to hear that. If one comes forward for help, there should be no room for suspicion.

(The witness withdrew.)

Mr. CHHOTALAL MORARJI KOTHARY, Bombay.

MEMORANDUM.

Indigenous bankers have existed in India since times immemorial. Every village or country town had its banker just as it had its priest, its goldsmith, its blacksmith, its carpenter, etc. He was an essential part of the village organization and rendered invaluable service to the village community by financing the sowing, harvesting and marketing of the village crops. He was the villager's guide, philosopher and friend—taking care of his small savings for him and helping him to tide over his monetary difficulties. His relations with his clientele were, moreover, most cordial—in fact the whole village community lived together as one family. Extortion and harsh methods of recovering debts were unknown. With the advent of modern banks, however, and with the revolution in our social structure to the influence of Western methods of individualism, the indigenous banker fell upon evil days ; and now after nearly a century of ruthless competition, when the life has almost been strangled out of the indigenous banking system, proposals are

being invited for rejuvenating it and putting life into a corpse. If one may say so, the corpse has almost been cremated, and a Commission has now been appointed to gather together the ashes and to administer medicine to them with a view to bring them back to life.

The village *shroff* finances the agriculturist by advancing him money for the purpose of buying seed, etc. Such advances are usually on personal security and the interest charged ranges from 12 to 18 per cent plus a commission on each transaction known as 'Kothari Chhodaman'. This may appear to be an exorbitant rate but in reality it is not so, taking into consideration the risk involved. (In fact the indigenous banker or *shroff* owing to his intimate relationship with the village community is able to take risks which no agricultural bank or co-operative society can afford to take.) Further, the seed, etc., for purchase of which the advance was taken must be purchased through the *shroff*, who charges his commission on this transaction as well.

When the crops are ready the agriculturist has to sell them to the village *shroff* from whom he took the advance for seeds, etc. The advance is thus squared off from the purchase price of the crops. At this point the city *shroff* steps in. He helps to market the crops by advancing to the village *shroff* 70 to 90 of the value of the crop, charging usually interest at about 12 annas per cent. i.e. 9 per cent per annum plus a commission of 1 per cent for selling the crop. (It may be admitted here that the agriculturist is practically at the mercy of the village *shroff*. Taking all things into consideration he pays in one form or other interest at practically 75 per cent on money borrowed from the *shroff* for seed purposes, etc. The business of the city *shroff*, however, is on a different footing altogether).

It will thus be seen that these *shroffs* combine the functions of financier and commission agent. It may be said that these two functions can well be performed by co-operative societies. The answer to that is that a co-operative society requires a certain degree of education and enlightenment among its members which it is impossible to find in the village community. The agriculturist is too ignorant and until primary education spreads, co-operative societies cannot function successfully. As a matter of fact the members of these co-operative societies are for the most part drawn from the class of agriculturists who are comparatively better off and not from those who really need their help most. In any case the total sum required for financing the crops over the whole of India may be put down at about Rs. 3,000 Crores and all that these co-operative societies can do will be but a drop in the ocean.

The chief difficulty that indigenous bankers have to contend with is lack of working capital. There is no local prejudice against them. On the other hand people prefer to deal with them owing to the better facilities which they are able to give. In fact the demand for finance from *shroffs* is so great that they never have funds lying idle on their hands. Their main problem as mentioned above is lack of sufficient working capital. No banker can work entirely or mainly with his own money. These *shroffs* like other bankers therefore receive deposits from the public. But it is here that they have been badly hit by the opening of branches of the Imperial Bank and joint stock banks. These branches are squeezing the districts to feed the cities. They are draining away the liquid cash from rural areas to the provincial centres. (Even co-operatives banks are not immune from this tendency). These branches being controlled by their Head Office which is under the management of people who know little and care less for rural conditions, take no pains to foster and finance local trade and industry. Many Imperial Bank

Mr. Chhotatal Morarji Kothary.

branches are reluctant to discount usance *hundis*, but confine their activities mainly to purchasing demand bills of European and a few big Indian export houses. This business is arranged by the Head Office and done under Head Office instructions, the branches having little discretion in the matter of discounting local trade bills.

Another serious rival to the indigenous banker in the matter of deposits is the post office with its saving bank and 5-year cash certificates. The rate of interest on the latter works out at 5 per cent., whereas the *shroff* pays in the districts only as. 6, *i.e.*, 4½ per cent. the rate in towns varying according to the bank rate.

Thirdly, there is the lack of adequate re-discounting facilities, mention of which has been made above. The remedy here is a change of policy on the part of the Imperial Bank, or the establishment of branches of the Reserve Bank.

SUGGESTIONS FOR IMPROVING AND CONSOLIDATING THE INDIGENOUS BANKING SYSTEM.—

Indigenous bankers operating in one district should be encouraged to pool their resources and enter into a kind of partnership or form a combine. Each *shroff* joining the combine should be required to contribute towards the capital of the combine. To provide the combine with additional working capital, Government or the Reserve Bank should lend an amount equal to the subscribed capital of the combine. The cash certificate monies may well be utilised by Government for this purpose. Each member of the combine should be allocated an area within which he would operate. He would be as it were the manager of the branch of the combine in that area. He should be responsible for loss through defalcation, default, etc. and in return for this, receive a certain percentage of the profit of his branch as commission, in addition to his share in the general profits as partner. It will, no doubt, be said that this is a matter for mutual arrangement among the *shroffs* concerned. But some propaganda on the part of Government is necessary; and the inducement of receiving financial assistance from Government or the Reserve Bank on the lines outlined above will help considerably to bring about the desired result. The advantage of such a combination would be:

1. Greater co-operation and co-ordination of effort amongst the *shroffs*.
2. Elimination of unhealthy competition.
3. Increased resources and working capital.
4. Strengthening of credit—for the credit of the combine will be greater than the credit of the individual members.

In my humble opinion indigenous bankers will not object to registration, audit and similar regulations if in return they were assured of good financial backing. In fact, if combines on the lines outlined above are brought into being, some kind of regulation will be necessary. Some means will have to be devised to protect the agriculturist from the evils of a monopoly.

Indigenous bankers operating in the districts can be linked up with the central money market and the Provincial capitals through branches of the Reserve Bank which should afford ample re-discounting facilities. The existing branches of the Imperial Bank could also serve this purpose if the Bank would change its policy. Here I would strongly support the suggestions put forward by the Indian Merchants' Chamber that the management of Imperial Bank branches in outlying districts should be placed in the hands of *shroffs*. The saving in establishment charges alone will be enormous. Moreover, the cumbersome system and red-tape, which frighten away the average dealer in the country, will disappear; the element of risk will be eliminated by making the *shroff* responsible for losses; the local knowledge and experience of the *shroff* will be at the disposal of the Imperial Bank to the benefit of the Bank and the local community.

It would not be out of place to point out here that there is too much centralisation about the present branch system of the Imperial Bank. The outlying branches are allowed little initiative but work strictly under the orders of the Head Office. The administration at the Head Office has no knowledge of local conditions and is far too prone to sacrifice local interests to the interests of big city merchants. The branch manager too has no local knowledge or interest. No sooner does he get a little familiar with the locality and acquire some knowledge of its needs, than he is transferred elsewhere.

CHEQUES.—The abolition of stamp duty on cheques has no doubt helped to increase the growth of the cheque-habit. Personally I do not think there is anything in the contention that the prestige of the cheque would increase by imposing a stamp duty of say a quarter anna on it.

Cheques are at present used mainly by the business community. Their use is, however, spreading amongst the professional and salaried classes. The concession given by some banks of allowing cheques to be signed in the vernacular has to some extent helped to popularise the use of the cheque among the indigenous commercial community, it should not be forgotten, however, that many persons unable to read and write English are yet able to sign their names in English. So far as the bigger towns are concerned; apart from allowing cheques to be signed in the vernacular I doubt if much advantage will accrue by allowing the use of vernacular script in drawing cheques. The English figures are understood and can be read by almost every literate person whether he knows English or not. In smaller places, however, where the population is more homogenous, cheques may be allowed to be drawn in the language of the locality.

The main factors impeding the growth of the cheque habit are : the low rate of interest paid on current accounts and the stipulation imposed by most banks regarding the minimum amount with which a current account can be opened and the minimum balance to be maintained. With regard to the first of these causes banks cannot be expected to pay a high rate of interest on current accounts ; and as regards the second, it is no doubt unremunerative for banks to have current accounts which maintain a low balance and are frequently operated upon. Could not some system similar to the one introduced by Lloyds Bank of allowing cheques to be drawn on savings accounts be more generally introduced with necessary restrictions to prevent too many operations. As a matter of fact the average professional or salaried man does not have occasion to draw many cheques, and if the cheque-habit is to be fostered in this class, some relaxation of the ordinary rules (which are intended mainly for current depositors who are business men) must be made, or some special arrangement made to meet their special needs.

Oral Evidence.

9402. *The Chairman* : Mr. Kothary, you are a banker ?—Yes.

9403. You are also a broker and a bullion merchant ?—I am interested in the Central Bank bar gold.

9404. But your main business is that of banking ?—Yes.

9405. You have put before us an interesting scheme about indigenous bankers and about forming combines in each district or a kind of partnership to do all kinds of partnership business and to get certain facilities from Government or from the Imperial Bank. I expect you want them to do this business on a principle of unlimited joint liability ?—Yes.

Mr. Chhotatal Morarji Kothary.

9406. Do you think that, in the first place, the *shroffs* would combine?—Very easily they will do so.

9407. But in many places we were told that it is very difficult to get two or three *shroffs* to combine?—I think if they are given facilities, they will be willing.

9408. Would they undertake this joint responsibility?—Yes.

9409. But they will not be working in one place?—I have stated that everybody could work in an area allocated to him.

9410. Would, for instances, the *shroffs* in Broach take responsibility for the loss in Ankleshwar?—Each man will be responsible for his own loss, but ultimately the partnership would be responsible for the losses, but for defalcation the man will be responsible fully.

9411. If there is any deficit, would the remaining *shroffs* take the responsibility for the same?—Yes.

9412. Do you not think that there will be difficulty?—No. People go to joint stock banks.

9413. But for a joint stock company the liability is limited?—Here also I say that the liability should be limited.

9414. Would the liability be limited to each man's contribution?—For this combine it will be limited, but for defalcation it will be more than that.

9415. His liability will be limited to the amount which he has contributed?—Yes.

9416. And he would on the strength of this combine get capital quickly. In that case do you think he would be able to attract further capital by way of deposits?—Yes, when people come to know that there is the Government organization behind him.

9417. We are told that deposits with *shroffs* are diminishing?—That is because there are postal cash certificates.

9418. You also want the management of the Imperial Bank branches should be placed in the hands of *shroffs*?—This is an alternative scheme.

9419. Do you think that there is too much centralization in the Imperial Bank system?—It is quite apparent and everybody is crying for it.

9420. But is no independence left to the manager of a branch office?—No. Suppose a man is given Rs. 5,000 or Rs. 10,000 credit, he cannot buy a *hundi* for Rs. 11,000.

9421. But the limits are fixed, are they not?—But he is not given discretion. This is centralization.

9422. Can he sanction a loan or an overdraft?—No.

9423. Do you think that the interest on current account is low?—Yes.

9424. You know that in several other countries no interest is allowed on current account at all?—But India is a poor country.

9425. What do you suggest as rate of interest? You know that for current account you have to keep a large percentage of liquid assets?—If they want to pay, they can.

9426. And make a profit?—Surely.

9427. Surely there is competition amongst the banks and if they could afford to pay a higher rate they would?—Privately they give when there is a very big client. They keep some amount like the "special account" and not actually current account.

9428. What is this *kothari chhodaman*?—That is a commission or the opening of the purse.

9429. You say that the rate of interest which a village *shroff* charges comes to as high as 75 per cent. on the whole ?—This means 25 per cent. for the seeds. In other words that for four months it is from 25 per cent. to 75 per cent.

9430. Is this only on seed ?—Yes. For marriage ceremonies and other things it is not 75 per cent.

9431. About co-operative societies you say: "The answer to that is that a co-operative society requires a certain degree of education and enlightenment among its members which it is impossible to find in the village community. The agriculturist is too ignorant and until primary education spreads, co-operative societies cannot function successfully" ?—It will take 50 years if they want to function successfully at this rate.

9432. But amongst people who are educated is there any reason why the Movement should not succeed ?—It will succeed, but it will take time ; but the real people who need help must be educated.

9433. Why does not the Imperial Bank discount usance *hundis* ? Is it due to lack of confidence ?—That is what it looks.

9434. Even *shroffs* do not discount usance *hundis* now-a-days, is that not ?—That is because of lack of capital.

9435. Is it due to lack of confidence ?—It is due to lack of capital.

9436. *Professor Kale* : You say in the first paragraph : "With the advent of modern banks, however, and with the revolution in our social structure due to the influence of western methods of individualism, the indigenous banker fell upon evil days ; and now after nearly a century of ruthless competition, when the life has almost been strangled out of the indigenous banking system, proposals are being invited for rejuvenating it and putting life into a corpse." Was this ruthless competition going on for a century ? I thought it was going on during the last 50 years or so. Even the presidency banks were not started then ?—In 1865 the new Bank of Bombay was there and also at Calcutta.

9437. Do you think that the indigenous bankers were prejudicially affected by the presidency banks so much even in those days ?—Competition began really a century ago, but since last fifty years consumption is in the second stage, there is this ruthless competition and that is why it is apparent.

9438. Was there any consumption at all at that time ?—With the advent of these exchange banks and of these European banks the real consumption of the indigenous banking began, but the body was so strong that the germs did not go further and with the railway communication and traffic, the germs reached every village.

9439. You say that everything else is changing ; but the indigenous banking did not change at all. And do you mean to say that the individualism of the old money-lenders did not assert itself ?—As far as I remember my great-grandfather was doing the same business. He never went to the stage of *japti* for recovering money or anything of that sort.

9440. Do you not think that unless the indigenous bankers and *shroffs* adjust themselves to the changing conditions, there is no future for them ? If everything is changing you expect them to remain what they are ?—If they do not change they must perish as a class. That is why I say the investment of capital and the investment of intelligence go hand in hand.

Mr. Chhotalal Morarji Kothary.

9441. *The Chairman*: Is there no change in their methods?—There has been a change in their methods during the last few years.

9442. *Professor Kale*: How did you get this figure of Rs. 3,000 crores? This seems to be more than the annual income of the country?—I think a sum of 1,500 crores of rupees worth of crop, kerosine, coal, etc. is given by mother India for her sons. I have taken figures from British India statistics. If not so I might have made a mistake in recollection. But I take it to be 1,500 crores of rupees.

9443. You say: "These *shroffs* like other bankers therefore receive deposits from the public. But it is here that they have been badly hit by the opening of the branches of the Imperial Bank and the joint stock banks". If you look at it from the point of view of an ordinary citizen, you will find that he will always invest his money where he thinks it will be quite safe and where he gets more interest. You cannot bind to invest it with any particular agency?—I completely agree with you that the man is bound to invest his capital wherever the conditions suit him, but I say that these branches are taking away the money from the districts. There is no encouragement for *shroffs*.

9444. You think that the money which is taken from a district should be invested in the same district?—Yes.

9445. You say that though the village money-lender charges from 12 to 18 per cent., it is not after all very exorbitant in view of the risk that he has to run. Again you are looking at it from the point of view of a money-lender. From the point of view of borrower one will see that he is interested in getting his loan at as low a rate of interest as possible?—I may remind you that the so-called best financiers of Bombay are charging 9 per cent., plus 2 per cent. every year brokerage. It means 11 per cent. With the big mills and big factories if a man is charged 11 per cent., I do not think that the rate charged by a *sowcar* is exorbitant when there is no guarantee and no possible chance of recovery. When 11 per cent., interest is being charged in the city of Bombay where there is ample guarantee, I think you will excuse the poor *shroff* for his charging 18 per cent.

9446. Do you suggest that such a high rate of interest is in the interest of cultivators?—If Government wants to remedy the things they must invest the capital from the postal cash certificates and from the branch of the Imperial Bank in the same district, then only you can get money a lower rate of interest, otherwise there is no other method of getting money at a lower rate of interest in the districts.

Do you not think that the public is attracted more by the security?—That is what I say that there should be a combine system which is the only best and suitable method for the Indian atmosphere.

Interest is one factor and the security is another factor?—Yes.

9449. *Mr. Desai*: You say: "In my humble opinion indigenous bankers will not object to registration, audit and similar regulations if in return they were assured of good financial backing". What kind of good financial backing do you want?—If Government gives a guarantee of capital whenever they require just as they give to the Imperial Bank, the *shroffs* would not object to registration.

9450. But Government is not doing the banking business?—I say that the money that is taken from a district should be utilized in the district itself.

9451. *Mr. Chikodi*: ... that *shroffs* are ... (savings deposits) to ... extent as they used to ...

9452. Then what measures do you recommend to attract deposits?—This combine system.

9453. And then you would do away with cash certificates entirely?—I think it is of urgent necessity to do away with them.

9454. Would you do away with the Imperial Bank?—I think the Imperial Bank branches have done more harm.

9455. Therefore you are opposing them altogether?—Yes.

9456. Are you in favour of doing away with all the co-operative credit societies in villages?—No. I have only said that the co-operative banks ought to invest the capital in that district.

9457. By what means?—Small ginning factories must be there and they can finance cotton crop. If co-operative banks are imitating the joint stock banks in draining away the liquid cash from rural area, they are also not desirable.

9458. You, mean that the district co-operative banks should undertake the work of financing these industries?—Yes, and they should invest the same capital that they get in the same district and in that case the district can revive.

9459. *Mr. V. L. Mehta*: You say: “No banker can work entirely or mainly with his own money”. Some bankers who gave evidence before us said that they would not like to go beyond their own resources. Is this the general feeling on your side?—No, it is not the general feeling. Bankers do not at present like to take any risk.

9460. But if they have resources from elsewhere, would they mind expanding their business?—They would be too glad to expand their business.

9461. You favour the devising of arrangements under which the Imperial Bank's branches should be handed over to *shroffs*. Would you be in favour of an individual *shroff* undertaking this agency work or a group of *shroffs* undertaking this work?—If a group of *shroffs* is available it is well and good otherwise an individual *shroffs* will do, after taking a certain guarantee of money from them or him.

9462. In that case you could not develop the business of other *shroffs* as you would under your scheme of combine?—No.

9463. Between the two which would you prefer?—I would prefer the combine.

9464. Coming back to the Imperial Bank's agency, do you think that even under the present restrictions of the law by which the Bank is governed, the grant of an agency to a *shroff* would facilitate business development and expect business in a local area?—Yes. If there is a *shroff* he could be approached by the people at any time whereas an agent now does not know the people there.

9465. But the restrictions under the law would still operate?—But a change of heart will do some good.

9466. You think that it might not be necessary immediately to make a change in the law?—This thing may be worked for a year under the present law.

9467. And then if experience shows that we shall have to change the law, do you suggest we may do so?—Yes.

(The witness withdrew.)

The Committee then adjourned till Tuesday, the 17th December 1929.

Mr. Chhotalal Morarji Kothary.

Tuesday, December 17th, 1929.

BOMBAY.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.

Mr. P. R. CHIKODI.

Mr. H. V. DESAI.

Professor V. G. KALE.

Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

THE BOMBAY SHROFF ASSOCIATION.

Replies to the Questionnaire.

SECTION I.

The banking organisation of a country should adapt itself to its peculiar needs—commercial, industrial including agricultural and economic. India is primarily an agricultural country and 78 per cent. of the population is dependent directly and indirectly upon agriculture. The latter is, therefore, the basic industry of the country having a vital and direct bearing on trade, commerce and other industries. But unfortunately it is in a hopelessly backward state being quite unremunerative owing to a multiplicity of causes—chief among these being high revenue demand by the Government, progressive deterioration of land, small and uneconomic holdings and low level of prices realised for the produce due to the 18*d.* ratio and lack of credit facilities. These causes have combined to lower the power of resistance of the impoverished agriculturist against periodical visitations of floods, frost and famines, which reduce him to a more abject condition than before. No wonder, therefore, that we have the spectacle in this country, paradoxical as it may appear, of an industrious, frugal, hardworking and simple peasantry on one side and their industry in a hopelessly backward and unprogressive state on the other. It is evident that no progress can be expected from people who are half starved and labouring under a constant and increasing load of indebtedness owing to the industry being unremunerative. Thus all our efforts should be directed towards making agriculture remunerative and thus drive away the wolf from the door of the agriculturist.

QUESTION 1.—In addition to the usual need for finance for the three objects as stated in the questionnaire, *i.e.*, (a) Expenses during cultivation, (b) Capital and permanent improvements, (c) Special needs. *e.g.*, failure of monsoon and land revenue, there is in case of the majority of the Indian agriculturists an additional and a more insistent need—it is the necessity which unfortunately exists for borrowing for their very subsistence for the greater part of the year except for the short period when they are in possession of some cash or grain while their produce is being marketed.

Of the various individuals and organisations which supply these needs, the village *soucar* as distinguished from the professional money-lender even now supplies the greater part of the finance needed for the whole countryside. He, the village *soucar*, described

in the questionnaire as indigenous (village) banker, combines in himself the functions of a money-lender, merchant and dealer. The part played by each of the aforesaid agencies is as follows :—

THE SOWCAR.—This much maligned person often confounded through ignorance or prejudice with the professional money-lender is even now, as he has been always in the past, the best and unfailing friend of the agriculturist, who continues to look to him first and foremost for supplying his needs, small and great. It is not denied that there may be black sheep amongst this otherwise useful institution in the village credit organisation. Rate of interest charged by the *sowcar* varies from 6 to 12 per cent. in Gujerat and to 12 to 24 per cent. in the Deccan, but where the rate is high, the chief reason would generally appear to be the element of insecurity that was being feared when the loan was made. The advances are made mostly on the personal credit of the agriculturist as he has little, if at all, to offer as security for the loan. At harvest time after meeting Government demand on account of land revenue and keeping a little for his immediate needs, he hands over the balance to his *sowcar* to be credited towards his loan. The amount thus credited is more often than not insufficient to cover even the borrowings for his subsistence during the year and thus his total indebtedness at the end of the year is greater than at the beginning of the year.

The Government in their eagerness to check the growing indebtedness and with the intention of freeing the agriculturists from the clutches of the money-lenders passed the measure known as the Dekkhan Agriculturists' Relief Act against the opposition of the representatives of the people, who had even then pointed out the great and irreparable injury that the Act would do to the village credit organisation. It is now universally acknowledged that the Act has not only failed to achieve the object for which it was designed but has shattered the fabric of village credit by ousting the honest *sowcar* from the field and leaving the agriculturists to the tender mercies of the rapacious professional money-lenders whose nefarious operations, even the Government Officials and Judges now admit, the Act has failed to put a stop to. The root cause of the complete failure of this Act lies chiefly in the initial mistake of confounding the village *sowcar* with the usurious money-lender. These two are, it cannot be too strongly emphasised, quite distinct, one from the other.

CO-OPERATIVE CREDIT SOCIETIES.—Co-operative Credit Movement is based on principles of co-operation and self-help and has been a success in the various countries of Europe and also to a smaller extent in Egypt. But the Movement has not been able to attain any appreciable success or make any headway in this country, owing to a variety of causes—the chief amongst them being the illiteracy of the masses which the Government have done so little to remove. In addition to this, must be mentioned the cumbersome methods of procedure unknown to the agriculturist involving delays in obtaining loans, the failure to understand his varying needs, and even to supply his needs adequately, as the causes which drive the cultivator to borrow from the money-lender the sum he could not get from the society. Rules for recovery of loans are rigid and still more rigidly enforced. There are complaints that the cultivator very often does not receive the full amount of the loan payable to him and also for discrimination shown while granting and in recovery of loans. There is in evidence a complete lack of human touch with the agriculturist and sustained and systematic attempts made to popularize the societies and to bring home to the illiterate villager the advantage of this Movement as well as the menace of the nefarious usurer have been in evidence only as an exception rather than

as a rule. To summarise, it is generally felt that the Co-operative Credit Movement to be really effective must be backed up by much greater capital resources and the administration must be more business-like and less wooden. But even while making suggestions for increasing the number of co-operative societies, it should be borne in mind that for years to come the village credit societies will remain, as he has always been, the foremost and the most important component of the village credit organisation.

GOVERNMENT.—The part played by the Government in the finance of agriculture is negligible. In times of famine and distress *taccavi* loans are granted by the Government. But owing to rigidity of rules, strict enforcement of the instalments and such other hide-bound methods and measures and above all the amount available for *taccavi* purposes being invariably insufficient to meet with the general demand of the same, the advantage to the cultivator is strictly limited. It will also be seen that *taccavi* being given either for seeds and mostly in years of scarcity or famine, its sphere is limited to enabling the cultivator to tide over the period of distress and it plays no part whatsoever in financing the produce.

THE IMPERIAL AND OTHER BANKS.—The Imperial and other banks and their branches are mostly located in the big cities and places of commercial and industrial importance. Despite their enormous resources, they have so far done nothing to help agricultural finance though agriculture is the basic industry of the country. These banks give ample facilities to exporters who are enabled to take in the fullest measure the benefit of low prices as a result of forced sales by the agriculturists of their produce owing to a lack of holding power and also owing to the pressing need which always exists for repayment of advances. It is a tragedy and a sad commentary that during the slack season while there is a plethora of idle money in the coffers of the banks for which there is no demand even at 1 per cent. the agriculturist has to pay interest at 12 to 24 per cent. for finance needed for raising crops. Such a position will not be tolerated for a minute in any civilised country and requires to be remedied immediately.

The following suggestions are made with a view to improve the present state of agricultural finance :—

(1) As set forth hereabove, demand for money preponderates over possible supply and that partially owing to the limited resources of the supplying agencies and particularly owing to the element of risk involved in advances due to the unsound condition of the borrowing parties, the rate of interest charged is higher. If, therefore, the provision of cheap finance to the supplying agencies can be arranged, the element of risk to the credit agencies can be reduced, if not eliminated altogether, and there will be some healthy rivalry among the agencies resulting in decline in the rate of interest charged to the cultivator.

(2) The chief and important supplying agency being the village *sewar* as already shown, he should be given facilities such as compulsory arbitration, etc., for the recovery of his loans in the same way as they are given to the co-operative credit societies in order that he may be made more serviceable and his risk reduced, resulting in lower rate of interest charged.

(3) Means should be devised with a view to supply cheap finance to the lending agencies on the security of advances made to the agriculturist.

If the custom is established of depositing securities with the Reserve Bank, a market will be created for such securities which will be taken up by the small investors in the *mofussil*, and considerable capital now lying idle for lack of suitable and safe avenue for investment will be put to profitable employment.

QUESTION 2.—The agriculturist after retaining little for his domestic consumption brings the produce to the market and sells it through a broker or the village *soucar*. The latter in his turn brings the goods to the nearest market situated in a *taluka* town for disposal. The goods are sold on the same day at a price mutually agreed to by the seller and the buyer. But it is natural that proper price cannot be realised for the produce by such a haphazard method of sale. Goods will realize their intrinsic value only if they are not forced upon the market which would decline by the sheer weight of the commodities coming in bulk. But the same should be stored and sold by degrees only when there is a demand for them by the buyer. There is, therefore, urgent necessity for establishment of warehouses in all interior markets and also for the provision of finance requisite for advances against goods so stored. Under the present arrangements there is the regrettable spectacle of an unequal contest between merchants and exporters, *i.e.*, purchasers who are people of substance and besides command vast funds and facilities from banks and other organisations and therefore in a position to take advantage of the weak position of the sellers and buy off their produce when prices have declined to the lowest level of the season on one side and the helpless cultivator illiterate, hopelessly indebted, unaided and unfriended and with scarcely a ray of hope or cheer to console him on the other. Owing to the weak position of sellers, the produce is sold cheap and it ultimately tells upon the economic position of the agriculturist.

Therefore the necessity for provision of ample finance and storage accommodation are the two main pillars on which the whole economic structure designed in the interests of the poor peasantry can be reared up.

POOLS.—The formation of pools and the extension of co-operative efforts on sound and proper lines are necessary and desirable as they conduce to realize better prices for commodities. While eliminating unfair competition and price-cutting, these will give facilities also to buyers, who are generally exporters, to obtain goods in sufficient quantity and of required quality whenever they want to effect their purchases at a particular centre.

Banks play a very insignificant part in financing the internal trade of the country. There is a very limited number of branches of joint stock banks in the interior towns. The Imperial Bank has during recent years opened branches mostly in the centres where they could obtain the work of Government treasury. These branches advance very little on the securities of commodities stored in their own centres. They only cash sight *hundis* drawn on the Bombay firm by their upcountry branch or agency or sell drafts payable by the Bombay or other branches of the Imperial Bank. Even this limited facility is given to a few selected parties amongst whom are chiefly exporters who arrange with the Head Office or with the Accountant General for the amount required, very often at a *hundi* exchange rate, *i.e.*, lower than that usually quoted. These facilities are moreover not extended to the local mercantile community generally but only to a small number whose *hundis* are taken though only to an extent which is much smaller than would be warranted by his standing and resources.

The bulk of the produce is financed by the *shroffs*, but lately exporters, who are mostly non-Indians, are making direct purchases from the upcountry markets and from the agriculturists through the organisation of their own agencies which they are establishing every year in increasing number thus gradually consolidating their strangle hold over the trade of the country. It is, therefore, necessary to adopt measures to remedy this anomalous state of things as early as possible in order that the economic interests of the country may not be ruined beyond redemption.

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INTERNAL REMITTANCES.—Internal remittances are chiefly done by means of *hundis* but sometimes cash or currency notes are also used for this purpose. No difficulty has been experienced in internal remittance by the use of *hundis*, which have fulfilled all the requirements of the trade in this connection.

The only negotiable instrument that plays an important part in financing trade is *hundi*. There are two principal varieties of *hundis*: *darshani* or sight and *mudati* or usance *hundi*. The former again is sub-divided as: (1) *Shahjog*, (2) *Dekhadnarjog* (presenter), (3) *Farmavnarjog* (order), (4) *Namjog* (payable to person named). These forms are current in use and are fully dealt with in the commentary of the Negotiable Instruments Act. Again *hundi* is not governed by this Act alone but by usage and custom of the place. If these are incorporated in the Act, some anomalies that have crept in, will be removed.

Darshani hundis are only in use for financing internal trade and for purposes of remittances. *Mudati hundis* have nearly gone out of use owing to paucity of finance, imposition of heavy stamp duty and absence of rediscounting facilities with Imperial and joint stock banks. These *hundis* which are instruments of credit facilities in a most approved form and adopted by nearly all the civilized countries of the world have become extinct in India. It is a deplorable part of the financial history of this country that no financier or the Government has upto now considered the causes and effects of the disuse of time *hundis* (Trade Bills) on the general credit organisation of the country. These *hundis* are very useful in the expansion of trade and credit facilities and while banks in most of the countries of the world utilize a big portion of their funds in this branch of business in India only an infinitesimal amount is lent for such business by the Imperial Bank. As long as these credit documents are not utilized to the fullest extent, proper banking facilities leading to general growth of trade and commerce will rightly be held to be non-existent. Stamp duty on the internal time *hundis* should be altogether abolished and discounting and rediscounting facilities should be extended in an increasing measure.

INSTRUMENTS OF OWNERSHIP.—There is at present no legal and valid instrument of ownership of goods or produce on which money can be raised or advanced. But in practice railway receipt is considered as a collateral security though the Railway Company does not accept the holder of the railway receipt for title of goods. But in a recent decision of the Privy Council in this matter, it was held that the holder of the railway receipt when he had made actual payment against it, has a right on the goods covered by the railway receipt as against the endorser and consignor. However, this does not make the railway receipt a sound and satisfactory security. It is, therefore, necessary to make the railway receipt negotiable and legal and valid instrument of ownership by amending the Railway Act. Similarly bills of lading of steamers that ply the coastal trade should be made negotiable without any ambiguity. Such a railway receipt or bill of lading will greatly help to increase credit facilities, when the goods are in transit as the security offered by them to the lender will be beyond dispute.

LICENSED WAREHOUSES.—The other usual instrument of ownership for credit purposes is the warehouse receipt. But there are at present no warehouses existing in the interior worth mentioning for warehousing produce except a few for tea in the tea districts. It is true that there are the usual Port Trust warehouses in the principal entrepôts such as Bombay, Calcutta, Madras, Karachi and the like. But these are exclusively used for the storage of imported articles and thus they can be safely taken as non-existent so far as the produce trade is concerned.

In a big producing country like India licensed warehouses are of vital importance for storage of produce and indigenous manufactured goods as well as for raising finance on the security of these. It is, therefore, necessary to establish licensed warehouses in all important market places, railway junctions and stations and in the ports on the same lines as prevailing in the United States of America.

QUESTION 8.—LEGAL PROCEDURE.—In suits for the recovery of debts and other disputes the present judicial system is by common consent found to be very cumbersome, dilatory and expensive. Owing to heavy bills of lawyers, high cost of stamp duties, worries and annoyances attendant in the protracted legal proceedings and delay in obtaining justice, merchants generally do not resort to court but in a large majority of cases prefer to settle their large claims for a small sum. It is, therefore, necessary that special facilities in this connection shall be given with a view to minimise cost of litigation, and to shorten the time taken at present to get decrees ready and further to devise measures to expedite their execution. Special tribunals should be provided where commercial cases should be given precedence over other work and merchants selected from panels for different trade be selected by the court to act as assessors. Cost of stamp duty should be reduced to the minimum and legal procedure should be so simplified as to be easily intelligible to an ordinary man and attempts to lengthen proceedings should as a rule be sternly repressed by the court.

EXECUTION OF DECREES.—The delays and the extortionate expenses involved in executing a decree are too well-known to require mentioning.

Again the procedure in respect of property attached is very cumbersome, expensive and often full of abuses of which the debtor takes the fullest possible advantage. Procedure in this matter should be simplified so as to reduce costs and delays and ensure a stricter control giving an additional security to the aggrieved creditor.

As regards decrees against residents in Native States, having regard to the unique status, dignity and unquestioned reputation for justice, fair play and impartiality, which the Presidency High Courts enjoy, the decrees of His Majesty's High Courts of Judicature should be accepted for execution by all Native States with or without additional court fees as chargeable in the respective states. As to decrees by British Indian Courts other than High Courts, these should be good for execution in such States as are at present bound to execute decrees of an Agency Court but which refuse to execute British Indian decrees on technical grounds only.

INSOLVENCY ACT.—This Act was meant to give protection only to deserving and respectable people who were not able to meet with their financial liabilities owing to circumstances unforeseen and beyond their control. But owing to the lenient interpretation and easy application of the law many unscrupulous people in order to shirk their liabilities seek protection of this law. These unscrupulous people suffer nothing while the public have to suffer heavily. It is, therefore, necessary to make the terms of this law stricter so that only cases of genuine hardship would obtain relief, and the dishonest debtor be restrained from making a shameless use of the same.

THE DEKKHAN AGRICULTURISTS' RELIEF ACT.—This Act was passed in order to protect the agriculturists against the unduly harsh demands of their creditors. But the Act has failed to achieve its desired object and the protection afforded by it has been much abused by numerous petty traders, who at the time of the repayment of debts, represent themselves as being agriculturists though they obtained advances as businessmen. This

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entails the necessity of going to *mofussil* Courts which involves great annoyance, expense and delay. Hence *shroffs* prefer to refrain from this sort of business and the agriculturist is consequently constrained to seek help from the usurious money-lender. It is, therefore, in the interests of both the *shroffs* and the agriculturists that this law be repealed thus removing an artificial obstacle in the recovery of loans. Reference having already been made in respect of this Act in the opening paragraphs, it is not proposed to make further comments here.

SECTION II.

From times immemorial, with the evolution of trade and commerce in India, *shroffs* (Indian bankers) have always competently filled the role of capable and efficient capital-providing organisation to the trade and industry of the country from one end to the other. Their age-long experience, high moral standing and sterling integrity combined with hereditary business acumen of the highest order have won them for ever the unshakeable confidence of the rank and file of the people and princes of India so much so that the smallest of them would feel such a shame at his failure that he would not like to show his face to the general public after a misfortune of that kind whereas feeling of this nature is unknown to the banking tradition of the west.

With the passing of time, they have built up traditions and customs forming a system of indigenous banking in India, which is extremely practical, popular and answering to the peculiar needs of the Indian people.

The advent of modern banking in India instead of eclipsing the importance of these *shroffs* has all the more brought into relief the indispensable nature of their functions. Although the modern banking institutions have taken over a part of their business, they are not inclined to serve the proper needs of the internal trade of the country. Moreover, these institutions generally show lack of interest, sympathy and will to understand the customs and the habits of the people who are engaged in this trade. This is the very "raison d'être" of Indian *shroffs*.

QUESTION 1.—The functions of the *shroffs* are identical for all practical purposes with those of the modern banks.

(1) They receive money on current and fixed deposit accounts.

(2) They advance money on call and for fixed periods on security or on personal credit as the case may be.

(3) They arrange remittances by issuing *hundis* for private and trade purposes and also undertake the collection of the same.

(4) They act as commission agents in respect of commodities such as cotton seeds, grains, gold and silver and do the financing as well.

(5) In general *shroffs* provide a major portion of capital to the internal trade of the country.

QUESTION 2.—As made clear elsewhere, agriculture derives the monetary help from the village *souccars* who combine the functions of petty and wholesale traders, commission agents and money-lenders. These *souccars* have business relations with *shroffs* resident in nearest *mofussil* towns, who in their turn are connected with the *shroffs* of big cities and ports.

The Imperial Bank, exchange banks or the joint stock banks take very little part in financing of the internal trade which is chiefly concerned with the movement of agricultural products and raw materials from their sources of production to the out ports for

export and of these finished products imported mostly from abroad to the consumers all over the country and of commodities from one place to other for internal use. From the smallest village *sowcar* upwards to the biggest *shroff* resident in big cities, the financing is generally done on personal credit and funds are transferred from one place to other by a chain of *hundis*, generally sight *hundis*, which sometimes circulate in the country till they reach the drawee's place. When they are drawn against railway receipts, they are sent direct to the place of the drawee. As regards import trade, goods are sent generally direct to the purchaser, who makes payment by purchasing *hundis* on the place of the sender, if available, failing which tries to secure *hundis* on Bombay or Calcutta which are the chief money market centres of the country.

The above functions are mostly carried out by *shroffs* and, therefore, it is easy to see that their services and the uses of their capital are country-wide and indispensable. Any advance of banking system in the country is bound to be abortive if it fails to take into account these indigenous banking organisations which exercise a vast and deep-rooted influence over the country's finance and trade.

As pointed out above, the *shroffs* act both as financiers and commission agents for the commodities that have to change hands before reaching their ultimate destination, but there is another side to these banking activities, which is no less important.

All industrial enterprizes started by indigenous initiative such as textile mills in the *mofussil*, ginning and pressing and sugar factories, oil, flour and rice mills and such others are either the creations of the *shroffs* or are financed by them. Also, silk and cotton handloom industry, gold thread manufacture and many other lines of lesser importance are entirely dependent upon the funds provided by these *shroffs* either directly or indirectly; and, therefore, should these *shroffs* get proper help, these concerns are sure to get more support thereby.

QUESTION 3. — As these *shroffs* do not publish the list of their assets and liabilities, it is impossible to estimate even approximately the amount of capital invested by these people. Although no figures can be given, the collective capital so utilized is indisputably great.

Similarly no statistics are available to gauge the volume of business transacted by them. But my committee in order to give an idea, would like to affirm that taking every thing into consideration their total turnover of cash during a working day in Bombay far exceeds the corresponding figures of all the local banks taken together. Different associations of *shroffs* in Bombay claim at least 1,000 persons whose total turnover of cash per day on an average must be over Rs. 25,000 for each member. Basing the calculation on this figure, the total turnover for a year would be represented by the figures 9,02,50,00,000, in fact a big amount.

Shroffs work with very little burden of overhead expenses. Their system of accounts and business routine is the simplicity itself without loss of efficiency in any way. Their method of working would certainly take cut a leaf from those of the modern banks. The Indian *shroff* has no use for costly office premises, expensive furniture, multiplication of staff and the attendant paraphernalia of western banking institutions. He is by nature and tradition a firm believer in all the tenets of economy and thrift and his keen eye would never tolerate any item of expense, however trivial, if he can avoid the same. His staff is manned by competent and trained persons who consider his business as their own and who are extremely efficient and quick at their work. Each of them has to daily perform

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duties of such a varying nature that no bank employee could perform them equally well. They personally attend many details of the routine work. Hence the incidence of *shroffs'* working expenses is very small in comparison with that of the banks.

SHROFFS' RELATIONS WITH ONE ANOTHER.—The relations of *shroffs* with one another are the most cordial and they work with each other with very little jealousy or suspicion. Whenever any of them requires funds he arranges the same over the phone.

RELATIONS OF THE SHROFFS WITH THE IMPERIAL BANK OF INDIA AND THE JOINT STOCK BANKS.—It should be made clear at the outset in very unambiguous terms that the Imperial Bank and the joint stock banks do not recognise the status of *shroffs* as their fellow bankers and the treatment accorded to them is just the same as is given to other classes of merchants. They receive no special help from them other than what can be obtained in ordinary routine by any of their clients. It would go a long way if they showed to the *shroffs* the same courtesies and placed in them the same confidence as they do while transacting business among themselves. This happy consummation is far from being realised so long as the Imperial Bank of India, considered as the perennial fountain-head of country's finance, placated as the Bankers' Bank and officiating as the Government's Bankers, does not recognise the status which *shroffs* occupy *de facto* in the sphere of finance.

It has often been asserted that among functions of this prime Bank of India, which are many and of hybrid character, one of the foremost was to create the banking habits in the masses and afford better credit facilities to the trade and agriculture of the country.

With a view to increasing banking facilities and attracting the unemployed capital from investors and also to put into practice the above intentions, a number of branches have been opened in the *mofussil* towns. How far these have fulfilled the desired object needs no comment from us.

These branches are manned by persons who have scant knowledge of local conditions and who never show any desire to understand sympathetically the local needs of the people. Like automatons they have no initiative of their own but act in everything according to the instructions of the head office. Leave alone the farmers, even the mercantile community have little chance to receive any facility at these branches. The branch agents consider themselves as semi-government officials and live aloof and unconcerned in the style of the officialdom. These branches never publish their balance sheets which, if they did, would fairly reveal the result of their business activities and there are strong reasons to believe that many of the newly opened branches are working at a loss in spite of the better capital facilities provided by their parent institution and Government funds without interest.

Important business of these branches is to receive deposits more of which go to them owing to the high position enjoyed by them. The most of these deposits are transferred to the head office. This has proved injurious in more than one way as the money which is drawn from the district goes to swell the coffers of the head office which otherwise would have been utilized in satisfying the requirements of the district itself. The local *shroffs* have also to put up with this unfair competition as the money would have ordinarily gone in their hands had there been no branches there.

The Imperial Bank of India with its top-heavy administration and the hybrid character of its functions has failed to accomplish its object. The Bank has free use of Government money and Government bodies like railways, Port Trusts, etc., without interest

and officiating on behalf of the Government, the administration considers itself a semi-Government body untrammelled by the public opinion. The staff is officered mainly by Europeans who know very little of the people with whom they have to deal and, therefore, on the whole evince very little sympathy to the mercantile class.

The *mofussil* branches never advance against the agricultural produce and those of the Presidency towns do advance only on commodities like cotton and jute, but the European merchants get these facilities more easily than Indian merchants who are looked upon with a feeling of distrust by the authorities of the Bank.

The European merchants are able to persuade these very authorities to make them advances against their goods lying in the *mofussil* on the security of a letter of hypothecation while on the other hand an Indian merchant will not stand a chance of inducing them to advance money on his goods even if he is prepared to place them actually in the custody of the Bank.

CREDIT FACILITIES PROVIDED BY THE IMPERIAL BANK OF INDIA.—The Imperial Bank of India is empowered to advance money to those who are on the Banks' list of approved parties, but their number is naturally small as the methods of approving a party are very crude and a good many sound parties are withheld from taking the benefit of this facility. The instrument generally used while giving such a credit is a promissory note called *hundī* which should be signed by the borrower who must be known to the Bank and countersigned by one of the parties on the Banks' approved list, both of them making themselves responsible for the repayment of the loan jointly and severally.

The Bank shows itself reluctant to deal more in this branch of the business as the total amount advanced under this head hardly amounts to four to five crores of rupees only, while banks in other countries, chiefly the State Banks and Reserve Banks employ bulk of their funds in discounting the trade bills.

It is alleged by some critics that it is difficult to obtain sufficient amount of trade bills in India, but they speak without knowing about the real state of affairs. There is really dearth of the genuine trade bills in India and there can be none looking to the volume of internal trade and dimensions of the country. But the Imperial Bank of India has failed to create a market for these bills by showing a great unwillingness to discount them in large numbers which should have been its primary function as the premier banking institution of the country.

What the Bank advances against promissory notes (*hundis*) is really in the nature of an accommodation and it is a misnomer to call the same *hundis* or trade bills as they are not drawn against sales of any produce or goods.

To meet the seasonal demand for more funds Government lend to the Imperial Bank to the extent of twelve crores of rupees from paper currency on the security of first class inland bills. The Bank has availed of this facility all these years, sometimes to the full extent. It is surprising that the Bank has given bills to the paper currency for the full amount when at no time it had more than bills of 5 crores of rupees. It is admitted that the Bank makes up the full amount by taking *hundis* from the parties who have a cash credit account and have pledged some security for the advance received from the Bank. This is a flagrant misuse of the spirit of the Act and the powers vested in the Bank and the fine object of supplying money to the general public is thus defeated to the detriment of the vital interests of the country's trade and agriculture. (*Vide* Currency Commission Report, Vol. II, p. 21.)

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The injustice of the Bank's tactics is so apparent in this case that in no other country except India, it would have been tolerated for such a long time.

Banks conducted on business-like principles are always expected to be sympathetic towards their clientele and their needs and make it their first business to guide them in financial matters with all the experience and resources at their command and are always keen to devise ways and means to advance their interests and well-being. This feeling is generally visible among the *scuvars* and *shroffs* in India but is absent in the modern banking institutions of India.

The Imperial Bank of India was brought into existence by the amalgamation of the then existing Presidency Banks. These latter were promoted by the European business houses in order to finance their trade in this country. They were put in possession of large amounts of Government and quasi-Government funds without interest and also entrusted with Government business on terms which any *shroff* will envy. The share capital of these banks was mostly Indian, but the directorate was strictly non-Indian except in the case of Bombay in latter years. All the responsible posts were a close preserve for the Europeans, and an Indian though fully qualified and of unquestionably superior attainments was considered to be unfit merely because he was an Indian, while recruited European youths without any experience whatsoever were placed in position of responsibility and trust over the head of his Indian subordinates who did all real responsible work.

The Imperial Bank has not only faithfully kept up but considerably added to these traditions inherited from them except for a few crumbs thrown here and there to satisfy the clamour in the country about Indianisation.

Even in the matter of facilities to the trade the same disregard for Indian interests is in evidence and there is the same readiness to supply all the wants and requirements of the European trade and commerce. Facilities to *shroffs* and Indian traders are limited to the barest minimum and thus we see this premier bank of the Indian Government working against Indian interests.

It is, therefore, the considered opinion of my committee that the Imperial Bank of India has so far totally failed to fulfil expectations and hopes of the Indian public and the nature of its constitution is such that there can be no hope of ever obtaining any good out of it in future. No amount of half measures would ever remedy the inherent defects of the organisation and, therefore, it is necessary that its position as the bankers' bank and the Government bankers must go. My committee are strongly of opinion that the present contract with the Imperial Bank of India should not be renewed again after its expiry.

THE RESERVE BANK OF INDIA.—As said before, the public are not willing to give a further charter to the Imperial Bank of India to direct the destinies of the Indian finance.

To replace these functions of the Imperial Bank of India therefore, a new Central Bank which may be called "the Reserve Bank of India" may be established with offices in big cities like Bombay, Calcutta and Madras which are the clearing houses of India's foreign and internal trade.

This Bank should be wholly a bankers' bank and should not enter into any ordinary banking business. Currency and Government business should be entrusted to its care.

To make this Bank really effective and serviceable it is imperative that the directorate and the management should be entrusted mostly to Indians to be selected from the commercial community, otherwise no useful purpose will be served by its establishment.

True sympathy and understanding are only possible if the persons at the helm are those whom the public can trust and approach with ease.

The second thing of importance is that the Bank should give the *shroffs* the same status as the joint stock banks and accord them the same treatment in all matters.

QUESTION 4.—This question is treated in the section I under question 2.

QUESTION 5.—*Shroffs* grant loan either on personal security or against goods or property pledged with them.

The upcountry clients get funds by usually drawing *hundis* on Bombay *shroff* or sometimes the *shroffs* send them money in cash or currency notes.

In respect of the goods purchased on account of upcountry people, the *shroffs* generally make prompt payment to the seller here and forward the goods to the upcountry buyer who returns the money after the arrival of the goods according to his convenience and the terms agreed. The *shroffs* employ their own private capital in their business, but they also accept deposits of varying tenure. During busy season when heavy calls are made upon their resources they also raise money on the security of goods in their custody or forwarded to them for sale.

Rates of interest charged for the advance and paid for the deposits vary according to circumstances and follow the bank rate ruling at the time. In busy season the rate of interest for advances is the same as the rate for borrowings, but in slack season the former is generally 6 per cent while the latter adjusts according to the prevalent market rate and is often below the market rate.

QUESTION 6.—The *shroffs* of big towns and cities are not directly connected with the agriculturists in their financial dealings and the question concerning the rate of interest in rural areas has been fully dealt with in the previous section of this statement.

QUESTION 7.—There is no prejudice against indigenous bankers anywhere in the country, but, on the contrary, they are held in the highest esteem and respect by all classes of people. Their probity, uprightness in commercial dealings, adherence to spoken word, sound business principles and many other qualities which have stood the test of time, have combined to make their position something unique in the eyes of the public. The term "*shroff* or *shah*" has associations of unassailable character and security in the popular mind.

LEGAL DISABILITIES OF THE SHROFFS.—*Shroffs* are indifferently protected in law as their status is not recognised to be the equal to that of the joint stock banks in spite of the functions of both being identical. The courts of law apply the English banking law in case of the joint stock banks which enjoy all privileges and protection afforded under this law.

The silent and incomparable services which these *shroffs* render to the Indian masses have not received encouragement and adequate protection. Everything has been done to facilitate a modern banker's business while the *shroffs* have to fight their way all along against adverse forces and are obliged to stand on their own legs and resources.

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As a preliminary the right step in this direction would be to recognise their status as equal to the joint stock banks and also to extend to them the privileges enjoyed by those banks.

INCOME-TAX.—My committee would like to point out here the invidious distinction made by the Income-tax authorities in their treatment to *shroffs* and joint stock banks. Income-tax officers while making their inspection of *shroffs*' books, as a rule, take down addresses of their clients to whom interest has been paid. And on this information, they are served with notices for submission of their Income-tax returns. Owing to this sort of fishing inquiries from the Income-tax Department, clients of the *shroffs* withdraw their deposits lying with them and transfer the same to banks where they consider themselves better protected as the Income-tax authorities dare not take similar liberties with their accounts. This action of the Income-tax Department has seriously affected the financial resources and business of the *shroffs* and hence my committee suggest that this sort of treatment should at once be stopped.

SHROFFS' DEALINGS WITH THEIR CLIENTELE.—Dealings of the *shroffs* with their clientele are *bona fide* and done on sound lines. A very few disputes arise in course of their mutual relations.

QUESTION 8.—In the foregoing pages my committee have tried to give a correct picture of the indigenous banker, the nature and mode of his business and his relations with the public as well as with the modern banking institutions of the country.

The following are the suggestions of my committee for the improvement in the position and the status of the *shroffs* (indigenous bankers):—

1. Facilities should be given and attempts should be made with a view to co-ordinate *shroffs* so that their system of work will thus be brought into lines with the present day organized banking and they will be miniature joint stock banks by working with them with greater freedom and foresight.

2. The *shroffs* should be given equal status with joint stock banks and should be so recognised by the Reserve Bank.

3. The *shroffs* who work according to approved principles should be accorded the same facilities as are given to the joint stock banks in relation to law.

4. The management of the business of the Government and the treasury balances and currency chests which is at present entrusted to the branches of the Imperial Bank of India should be handed over to the *shroffs*.

5. The *shroffs* who may be taken on the approved list of the Reserve Bank will submit, if so required, audited balance sheets to the Bank.

LINKING OF THE INDIGENOUS BANKERS.—1. The Head offices of the Reserve Bank should keep up-to-date lists of local *shroffs* and merchants with particulars of their standing and stability. The lists should be prepared with the help of important local commercial associations. Information from the lists should be made available to joint stock banks and all *shroffs* with whom the Reserve Bank directly deals.

2. List of important *shroffs* and merchants in the *mofussil* should also be prepared by the Reserve Bank with the help of the important mercantile associations of the place and *shroffs* of the ports.

3. The Reserve Bank should create a market for trade bills (*hundis*) by discounting them through parties dealing directly with the bank.

4. Liberal credit facilities should be provided to approved *shroffs* on one signature as is done in Scotland, Canada and other countries.

5. At present the Imperial Bank is allowed to accept usance *hundis* which are drawn up to a period of three months, but in practice bills of smaller tenure are taken by the bank. This period is quite inadequate for trade purposes; therefore the bank should be allowed to accept *hundis* drawn for a period of six months and should be required to conform its practice to the full period when necessary.

The other important work which the Reserve Bank has to perform is the banking business of the Government. This work is at present performed by the branches of the Imperial Bank in the *mofussil* and when there are no such branches by the Government treasury. This business can safely be entrusted to local *shroffs* as was being done in the past by the Government. Actual terms of the contract of the Imperial Bank with the Government are not known to the general public, except what has transpired in replies given to the questions in the Assembly and through other channels. These terms are understood to be as follows:—

1. Commission of 2 annas per cent. on the turnover, *i.e.*, total receipts *plus* total disbursements made on behalf of the Government.

2. The Government will be under an obligation to maintain the balance without interest up to a certain limit, and in case of deficiency in this amount, Government would be liable to pay interest according to the bank rate. Besides the Government will be under the additional obligation to supply funds up to a certain limit on cheap terms.

3. All expenses for transferring funds from one place to another should be borne by Government.

The Government will incur no risk in entrusting their work to the local *shroffs* as the *shroffs* selected for this work will be people of recognised standing and stability and holding landed property in the district and elsewhere and as Government will have first charge on the assets for their dues.

The other important function which the Reserve Bank has to perform is to provide currency facilities to the general public. This work can very well be done by the *shroffs* who will be appointed as Government bankers in the *mofussil* on the same lines and on the same principles as now in force in case of the branches of the Imperial Bank of India.

ACCOUNTANCY SYSTEM.—The accountancy system of the *shroffs* is adapted to the general needs of the country and is, therefore, very comprehensive, easy, less cumbersome and easily intelligible. The accounts are managed by a very small but experienced staff and, therefore, the system is not expensive as in the case of joint stock banks. The accounting system is quite scientific and practical and in no way inferior to the Western method of accountancy. No defect has yet been found in the present working system. Accounts are always faithfully and honestly kept and the accounts of their clients and customers are always open for their inspection and verification. Moreover a copy of the account is annually supplied to each of the clients which system is similar to the pass book system of the joint stock banks.

Shroffs are quite businesslike and, therefore, they do not object to the introduction of any measures intended for the better regulation of their business, and hence submission

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of their balance sheets for inspection by the Reserve Bank if and when necessary will not, it is hoped, be objected to by them.

QUESTION 9.—The *shroffs* have their own capital. Some have very large funds and credit at their disposal and others have small funds. But at the time of the busy season most of them require facilities for further accommodation. They, however, find themselves unable to secure this as most of this lending is on personal security while some security which they possess in form of goods is rendered unnegotiable and untransferable for lack of warehousing facilities.

QUESTION 10.—The question of linking the indigenous banking system with the central money market and provincial capitals will have solved itself if measures as suggested under reply to question 8 are adopted.

If steps as suggested therein are taken, there will be no necessity for opening a branch of a bank in the district as it will be foreign to the requirements of the people who have been accustomed to a system of banking which is not impersonal and which has maintained with them a living touch. Again the local *shroffs* when given facilities and guided on correct lines should be considered quite competent to handle the banking business of the district.

Where there is a branch of a bank they will ordinarily work harmoniously with the branch in their own interests. But their co-operation with the bank may be further assured by utilising them as advisers to and guaranteed brokers of these banks on payment of a fixed percentage.

QUESTION 11.—Trade demand for money in India is seasonal. When the crops move, requirements for finance increase heavily and are met with by *shroffs*, banks and other institutions. The funds so utilised are released when the commodities are taken over by exporters or consumers. After the season is over, the surplus funds remain idle as they find no scope of employment owing to absence of big concerns or industries in the *mofussil*. At this time agriculturists are in great need of finance for purchasing seeds and for other requirements and are obliged to pay a very high rate of interest for securing loans even though money is cheap and plentiful in the district. This is because of the unwillingness of the *shroffs* to employ their surplus funds in this business as it is insecure and unsound and, therefore, they have no other recourse but to send the surplus funds to the Presidency towns. These funds go to swell the already existing plentiful supplies there and as a result money becomes unlendable even at one per cent. which in busy season is not available at a rate as high as 9 to 10 per cent. This wide disparity is symptomatic of the disorganised state of credit structure and injuriously affects the trade and industries of the country. If, therefore, proper credit facilities are created and risk attendant in rural finance diminished, not only will the surplus funds be utilised in the *mofussil* but there will be an additional demand for funds owing to improved condition of trade and industry.

SECTION III.

QUESTION 1.—All the available sources of supply of funds have been already tapped by the existing banking institutions. Surplus funds are invested in Government securities, in shares of joint stock companies, in postal cash certificates or in postal savings banks. But it is evident that the figures of investment of the people are not as large as those of other countries owing to extreme poverty in this country where millions of people have to content themselves with only one meal in a day. Nor can the very modest and meagre outlay of the people in ornaments be considered as an index of the hoarding habit as

it has been considered by some who are not fully conversant with the economics of rural India. No doubt money is spent in purchases of gold and silver ornaments for women to be used on marriage occasions according to social customs and usages in this country, but the same requirements exist in other countries also where people purchase pearls, diamonds, rubbies, etc. Indeed the amount of such investments *per capita* as compared to other countries would be very small. The existence of a widespread hoarding habit is exaggerated and is not supported by facts or figures. It is true that owing to illiteracy in the country and the fear that gold will not be available at all times for use, ignorant masses are tempted, when occasion offers, to invest their surplus funds in gold and silver as being readily available in times of need. It is, therefore, necessary to dispel from the masses the feeling of insecurity for the monies invested and in its place create one of confidence, thus inducing them to employ their surplus funds productively. The following are the suggestions of my committee towards this end :—

1. Illiteracy should be removed by all the means at the disposal of the State.
2. The currency of the country should be based on an effective gold standard thus making available good coins whenever required.
3. The position of the *shroffs* should be consolidated and strengthened so that people instead of hoarding surplus money will place the same as deposit with the *shroffs*.

INSURANCE HABIT.—As people have begun to understand the usefulness of insurance, they seek to avail of its benefit to a greater extent though being illiterate not as widely as may be desired. Insurance is effected for accidents like fire, etc., and for life, but almost the whole of the earnings of this branch of business goes to foreign insurance companies and thus constitutes a drain from the country. Of late insurance business has increased amazingly in volume and the time has long arrived when we should seriously consider the continuous drain on the resources of this poverty stricken land. As these insurance companies are very powerful concerns, they try to drive away the indigencous concerns from the field by rate war and by other unfair means. It is absolutely necessary in the interests of the country to enact measures to protect Indian concerns from the unfair competition of these foreign companies which should be further required to utilise a substantial portion of the premia in the country.

POSTAL CASH CERTIFICATES AND SAVINGS BANKS.—These certificates were issued by the Government with a view to meet exceptional demand and the unprecedented situation created by the world war. But their continuance even in ordinary times is against all principles of sound finance. With their high rate of interest which works up to 5½ per cent. the Government secure large amounts of money by attracting such small sums as Rs. 7-8-0 and thus unfairly compete with banks and *shroffs*. A large amount of floating money which would have normally been utilized as working capital is thus withdrawn from the market and consequently trade and industries suffer. It is, therefore, necessary that issue of new certificates should be discontinued forthwith.

As regards the postal savings banks, my committee have no objection against the working of these banks as their rate of interest is what it should be.

TREASURY BILLS.—It was originally intended that Government should issue treasury bills to raise funds to meet their temporary requirements. But at present the Government have made these bills almost a permanent feature of their financial operations withdrawing considerable amounts from the money market even in times of busy season.

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It is admitted by Indians and Europeans alike that the treasury bills are issued simply with a view to maintain artificially the present 18d. exchange ratio by creating monetary stringency in the market. Even when the inter-call money is freely available to banks at 2 per cent., Government is freely taking money even at 5½ to 6 per cent. interest. No wonder, therefore, that the trade and industry are obliged to pay a still higher rate of interest for obtaining the requisite finance. The monetary stringency thus artificially created in the market has proved ruinous to agriculture, trade, commerce and industries of the country and has accentuated the general trade depression pervading throughout the country and has increased unemployment to an unprecedented degree. If statistics of unemployment were kept, they would reveal the universal blight caused by the thoughtless and insensate disregard by the Government of the best interests of the country. It is hoped that Government will realise betimes the gravity of the situation created by the reckless policy pursued by them in respect of currency and finance of the country, otherwise the trade and industries of the country already severely hit will have been ruined beyond hope of recovery.

QUESTION 3.—The Government, the Imperial Bank and other banks use all the resources at their disposal and give all facilities for investment and advances on Government securities. The agriculturist has no surplus money to invest in Government securities and if at all he has any he is unable to invest in this security as he does not know the intricacies of endorsement and such other technicalities as splitting, renewal, etc. He therefore prefers to keep his surplus money as deposit to a local *shroff* whom he knows intimately and from whom he can obtain the whole or a part of it any time without let or hindrance. The Government will, therefore, do well to look primarily to the indigenous banker as an agency which would help the Government in popularising investment in Government securities.

QUESTION 4.—This habit has considerably grown as a result of the abolition of the stamp duty on cheques. It will further encourage their use if the use of vernaculars of the district is allowed not only for signatures but also for filling up the body of the cheque.

QUESTION 5.—The idea that the banking habit in India is of recent growth is unfounded. The existence of *shroffs* as a powerful business community with a unique record of services goes to show that this habit is deep rooted in the people of this country from times immemorial. But the progress of this habit during recent years has suffered a rude check for the reasons which are briefly speaking, (1) unsuitable currency, (2) absence of gold standard and gold currency, (3) illiteracy of the masses and (4) the persistent and unjustified attempt made with a view to discredit the *shroff* and the village *sowcar* who have been held out as parasites of the community out of ignorance or malice.

The banking habit will surely grow amongst people if the above-mentioned causes are removed.

Replies to Supplementary Questionnaire.

QUESTION 1.—(a) FINANCING OF EXPORT TRADE.—The part played by different organisations as regards the produce to be moved has been discussed under another heading from which it will be seen that the whole or the greater part of the finance needed for moving produce from village to *mandi* is supplied by the *sowcar*. From *mandi* to exporting ports it is done by *shroffs* and exporting houses and buying agencies in the interior and by upcountry dealers with the aid of *shroffs* at the exporting ports. The Imperial Bank takes no part whatsoever in supplying finance for the produce at any

stage during its movement from one place to the other in the interior. Its functions only in case of exportable produce and a major portion of that class of financing goes to foreign exporters.

(b) FINANCING OF IMPORT TRADE.—Finance at ports for imported goods is supplied to a large extent by the exchange banks on Port Trust warehouse receipts or on goods hypothecated to them and stored in their godowns, the rent being supplied by the importing firms. The importing firms take delivery from these banks as required, selling the goods to wholesale dealers in Bombay and in a limited degree to upcountry merchants also. Local dealers sell to upcountry merchants on two or three months credit though occasionally for cash also. The maximum period of three months allowed very often runs into four months or even more.

From the distributing centres in the interior the goods find their way to smaller towns and villages. The merchants in the distributing centres are financing the trade at this stage having themselves obtained large credits from the importing port merchant as already shown.

QUESTION 2.—SUGGESTIONS FOR IMPROVING THE FINANCING OF EXPORT AND IMPORT TRADE.—The accommodation given is by no means sufficient to meet all the existing demands much less the prospective demand that can easily be created only if the necessary credit facilities could be given more freely.

(1) There should be warehouses in interior towns and arrangement for loans on easy terms on such warehouse receipt and (2) a more liberal policy for accepting trade bills by the Central Banking Institutions. This subject being already dealt with in a greater length, it is unnecessary to make repetition of the same thing over again.

QUESTION 3.—SPECULATIVE ACTIVITIES OF THE EXPORTING FIRMS AND THEIR EFFECT ON THE PRICES OF AGRICULTURAL PRODUCE.—It is a fact that in produce markets the exporters, who have great resources of their own supplemented by almost unlimited resources of the banks, effect large forward sales on the cotton, grain and seeds exchanges with a view to depreciate the general level of rates. The upcountry rates for ready produce are likewise depressed. The exporters would then buy their spot requirements in upcountry centres at rates higher than those justified by prices for forward deliveries ruling in Bombay which they would continue to depreciate by still more sales.

When financial and other facilities as suggested above are created and handicaps removed, the trader-purchaser of limited facilities will meet his seller-exporter of great resources on less unequal ground and the field will not be open to the exporter to depreciate prices as it is now. The grower of the produce will stand by benefit to that extent.

It is hoped that these reforms coupled with other facilities of warehousing in interior towns and trade centres—fully discussed elsewhere—will have the combined effect of giving a better return to the growers of produce in this country.

Seth AMTHALAL JUMAKHRAM, Seth LAKSHMICHAND DOSHI and Seth SHIVLAL C. SHAH, Representatives of the Bombay Shroff Association, Bombay.

Oral Evidence.

9468. *The Chairman* : Mr. Doshi, will you tell us what is the constitution of your Association ? We find that there are three associations here. Who are your members ?—
Our members are mostly gujarati shroffs.

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9469. Do you have any *marwari* or *multani shroffs*?—We have none.
9470. What are the relations between the *gujarati shroffs* and the *marwari* and *multani shroffs*. Do they do the same kind of business which the *gujarati shroffs* do?—No; their field of business is different and generally there is no acrimonious competition.
9471. Have you business relations with them?—Yes.
9472. What is your field of business?—Our field of business is throughout the whole presidency. *Gujarati shroffs* go even to the extreme limits of the country except perhaps to Madras.
9473. Do many of your *shroffs* have branches?—A few of them have branches.
9474. Have these people who go out of the presidency their own separate concerns outside the presidency?—Yes; they have settled there.
9475. Amongst *shroffs* we have these different *shroffs* whose sphere of work, as you say, is different. So far as the internal trade is concerned would it be right to say that it is the *gujarati shroffs* who mostly finance it for the whole presidency?—No; not only they, but the other *shroffs* also do finance internal trade.
9476. How many members have you?—We have 260 members.
9477. Do they all belong only to Bombay city or do they belong to the whole presidency?—The members belong to the Bombay city only.
9478. Practically, do all the *gujarati shroffs* belong to this Association?—Yes, most of them. There are a few *dakshani* members.
9479. You stated you tried to find out what was the working capital invested by *shroffs* in business?—It is a very hazardous estimate and it may vary.
9480. Can you make a reasonable estimate?—No.
9481. Nor about the turnover of their business?—We have given it in our statement.
9482. Do you think that it is a fairly correct estimate?—Yes; at least it is not an over-estimate.
9483. Are there some very old firms of *shroffs*?—Yes.
9484. How old are they?—60 years and even more in some cases.
9485. Some of you must have gone through their old books of 50 or 60 years. I want to find out whether there has been any change in their methods during the last 50 or 60 years?—Their system of account is the same.
9486. Is there any change in their system of working?—Yes; they have to adapt themselves to the changing conditions because they have to deal with foreign companies.
9487. What changes have been introduced in their system?—Formerly there were *mudati hundis*, but this business has now been practically stopped.
9488. But this is not a change?—They have changed their hours of working. The previous notion in the case of some of my *marwari* brothers, namely, he is a real *shroff* who can pay up at the dead of night, has given place to a new notion that a man can work only during certain hours in the day. Looking to the system adopted by the western banks he has to change the way in which he advances.

9489. What is the way in which he advances?—The dangers that he formerly saw do not exist now and he has been infested with the spirit of the banks, which are more rigid in respect of rules of working. Therefore these people also have introduced rules. The *shroffs* are slow in initiating changes.

9490. Has the rate of interest changed in the last 30 or 40 years so far as the *shroffs* are concerned?—The rate of interest on current account has gone up. It is 3 annas in the monsoon and 6 annas in the busy season; and in the busy season the inter-call money is at six per cent. The *gujarati shroffs* do not pay more than eight annas interest amongst themselves, but they charge more to their constituents because when they pay more they have to charge more.

9491. Has the interest on loans also increased?—It has increased.

9492. Does it vary according to the credit of the client?—Yes.

9493. But amongst the *shroffs* themselves there is one fixed rate?—Yes.

9494. Is it fixed by your Association?—In our Association they always issue a notice every month if the rate is unchanged, and if the rate is to be lessened or to be increased, they notify accordingly.

9495. Is much deposit business done by *shroffs*? Do you get large fixed deposits?—We get little. Current account deposits we get.

9496. From the public?—No, we get them from upcountry constituents.

9497. And it is all call money?—Yes.

9498. Is any notice required for this call money?—None.

9499. Is it the system amongst you to keep a reserve against this call money?—No. When we know that this is all call money and at any time *hundis* may come in, it is generally maintained. There is no fixed system of keeping a percentage, but we have to keep a large balance.

9500. This current account deposit is kept with you by the upcountry merchants in order to enable them to draw *hundis* for their own business, is that so?—Yes.

9501. In your note you distinguish between a village *sowcar* and a professional money-lender. What is exactly the difference?—The term "*sowcar*" is used for a village *shroff*.

9502. Is he also not a money-lender?—Yes, but not an usurious money-lender. He is a money-lender but not a rapacious and blood-sucking money-lender.

9503. Who is an usurious money-lender?—There are certain *marwaris* and Pathans; and even amongst these local people there are two sections of money-lenders. There are those who are from respectable sections and who think as if they were bound up with their village organisation from time immemorial and they form the backbone of the village credit, while there are others who may be called upstarts in this line and whose sole business is to please the people.

9504. Does this distinction exist now in many places?—Yes.

9505. In all parts of the presidency?—In a village you have two kinds of money-lenders: the respectable village *sowcar* and the rapacious money-lender.

9506. Is there no distinction of caste?—There is no distinction of caste or religion or creed. He is the same man turned into a blood-sucking *sowcar* by force of circumstances.

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9507. But in most of the villages there is often only one money-lender ?—Yes, but the man who sucks the blood of the villagers need not necessarily be in the village. He attends to a group of villages.

9508. You say that it is the *sowcar* who though working primarily in his own interest yet accommodates agriculturists on favourable terms and is the best and unfailing friend of the agriculturist ?—Yes.

9509. What rate of interest does he charge ?—It varies from 6 to 12 per cent. in Gujarat and from 12 to 24 per cent. in the Deccan.

9510. What is the rate of interest charged by an usurious money-lender ?—He charges two annas per rupee per month.

9511. That is the Pathan ?—He is of the Pathan type. I would not say only the Pathan will charge such a high rate. He is a Pathan type of money-lender.

9512. You want to show that the *sowcar* who is a friend of the agriculturist also gets hold of all the crop of the cultivator ?—That is because he makes him large advances and naturally all the surplus must be paid to the *sowcar*.

9513. But we were told by one of the indigenous bankers yesterday that taking all these into account, the *sowcars* charge 75 per cent. interest ?—I think he was mixing up the usurious money-lender with the *sowcar*.

9514. If you have to make any proposal as regards giving facilities, it would be rather difficult to distinguish between the two, would that not be so ?—I think that the results of certain enactments enacted for the benefit of agriculturists and not with a view to harm them, have been to harm them and to deprive them not only of their credit which has been shattered but also to deprive them of their honesty and moral fibre.

9515. Speaking about co-operative societies you say the greatest drawback is illiteracy ?—Yes ; I mean the Movement has proved a success in other countries.

9516. Is it your contention that if illiteracy were removed, the Movement would be successful ?—But not before the Movement is in living touch with agriculturists. The people who are running the Movement must be in close contact with the sufferings of agriculturists and must be sympathetic to them.

9517. Do you think it would be possible to co-ordinate the Co-operative Movement with the indigenous banking system. For instance, will it be possible for the indigenous bankers to take an interest in co-operative societies and through them finance agriculturists ?—I think that looking to the present mentality and long traditions of the country, the co-operative finance only cannot suffice for the needs of agriculturists. It can supplement the *sowcars*' activities, but it can never replace them for some years.

9518. The question is whether the *sowcars* or indigenous bankers could take part in the Co-operative Movement by being on the central co-operative banks. I expect some of your indigenous bankers are also on the boards of some of the district co-operative banks ?—This is a difficult question to answer ; but it will always depend on how the relations between these two sets of lending agencies are being handled. It will always be a personal question because if a *sowcar* is treated with all the respect due to him and not in an overbearing manner, he may come into close touch with them but if he is treated in the usual official red-tape way, the distance will increase.

9519. Speaking about the Imperial Bank and other banks you say that when money is lying idle during the slack season in the coffers of the banks, the agriculturists have to

pay 12 to 24 per cent. interest. For what period is the market slack in the provincial headquarters?—From the end of May upto the end of November.

9520. But an agriculturist usually requires money for a longer period. For his preliminary operations he requires money rather earlier, in May. He cannot repay until his crop is ready?—No.

9521. So this money which is lying idle at the headquarters would not be of much use to him?—It could be made useful to him.

9522. How?—Generally by the end of May.

9523. But he wants it in the beginning of May?—He might require it 15 days earlier and the money could reach them in time.

9524. Why do the indigenous bankers not finance them with this money which is lying idle?—They only borrow from town *shroffs*.

9525. The town *shroffs* do not generally require the money during this period. Why cannot they lend to village *sowcars*?—They can send money.

9526. The village *sowcars* do not require money in the monsoon but they require it at the beginning?—They generally depend on their own resources.

9527. But their resources are limited and they are not able to advance to agriculturists at a reasonable rate of interest. Why cannot they borrow from the town *shroffs* money which is lying idle and then perhaps instead of lending at 12 per cent., they can lend money at 6 or 7 per cent. interest?—Generally they are averse to creating liability. They do not like to borrow. They want to trade on their own capital.

9528. In your statement you mention that money is required at the initial stage of agriculture for seed. Do you not think that money is also required to move the produce? You know that at this time money is dear even here and it cannot be lent out to him?—The tightness in Bombay is generally the result after the commodities arrive in Bombay and accumulate in Bombay. So before the commodity arrives in Bombay there cannot be any tightness, and money can be sent to them because as soon as the commodities are released for being railed over to Bombay the money locked up by the *sowcars* in the village commodity will have also been released and remitted to Bombay.

9529. You say: "Means should be devised with a view to supply cheap finance to the lending agencies on the security of advances made to the agriculturist." Have you any practical suggestions to make for the provision of cheap finance?—There is money in the villages not necessarily in the hands of professional money-lenders or *sowcars*. There are certain people who have to hoard money because they cannot find a profitable employment for their money. They are not conversant with the technicalities of investment in Government paper and so they cannot invest there. They say also that lending to agriculturists is rather risky under the present condition of things. So they cannot lend also to them. Therefore they have to keep all this money with themselves without any profitable employment. There is an ample amount lying with them. It will be profitably released if lending to agriculturists is made safer. The agriculturists, at present, are inclined to be dishonest because they know that there is an Act which would help them.

9530. Your contention is that the abolition of the Act or the modification of it would lead to this money which is hoarded to come out and to be deposited with *shroffs*?—Yes. Just now a man who lends to agriculturists finds that his money would be generally book

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money. Therefore if the money that is lent to an agriculturist is made a marketable security within strictly definite limits the money that is lying idle with those people will find a profitable employment.

9531. You mean the promissory notes?—I mean a guarantee bond by a Government officer. I mean each *khatedar* can have a certain amount in favour of his holding and according to his capacity to pay, fixed against his name and *rokhās* can be issued to him up to that amount. These *rokhās*, *i.e.*, the guarantee bonds, which would be a first charge and recovered by an easy process by Government officials, can be made marketable and Government may be able to issue these *rokhās* to those people or village *sowcars* who have idle money with them.

9532. It comes to this that the property of an agriculturist will be the security for the *rokha*?—No. The produce will be the security. At present the Government say that he is only a tenant and not the owner of the land and they are the owners. This is their view.

9533. That does not make any difference so far as credit is concerned. He has the right to sell it. He is practically the master of his own land?—But he does not like to part with his holding altogether.

9534. Why are these *rokhās* required?—It is a state guarantee for a particular amount for each *khatedar*.

9535. *Mr. V. L. Mehta* : Is it something as a chattel mortgage as they call it in other countries?—It is the mortgage of the produce.

9536. So there will be a sort of a register in which all these chattel mortgages will be registered and documents will be issued against which anybody can make advances?—Yes.

9537. *The Chairman* : You are in favour of warehouses being started?—Yes.

9538. Who do you think should establish these warehouses? Should it be Government or Railways or private people?—We may not work up the whole scheme at once. It will not be difficult to work up the whole scheme later if the principle is accepted.

9539. Where do you want them?—At important centres, market places and railway stations.

9540. About branches of the Imperial Bank, you say that they advance very little on the security of commodities. Do they not advance on cotton in places like Dhulia?—They cash demand *hundīs* on Bombay; they do not advance money. I am told that they give advances in Broach, but only to good parties.

9541. In your statement, you speak about exporting firms sending their own men to buy produce directly from the agriculturists. Is that not in the interest of the agriculturists, because one middleman is thus eliminated?—They send people to buy there, but if that was the only operation, it would not be objectionable. The prices upcountry are governed by the prices ruling in Bombay, and the ruling prices in Bombay are governed by forward prices, and these agents depress the market and take advantage of lower prices, and buy at lower rates. It is one full organisation set up for a particular purpose of depressing prices and taking the goods away at lowest rates. They know that the Indian agriculturist is not supported by any credit organisation so as to stand on his own limited resources, and is not a match for the powerful organisation.

9542. But the prices in the district would be depressed, if the prices here are depressed, whether there are agents or not?—They do not buy till they find that the markets are sufficiently depressed. Even the indigenous dealer refrains from buying because he is afraid of these agents depressing the market. This year in groundnut business the rates ruling were 63, and even though the crop is less than the average crop of previous years, the rates ruling to-day are 50, because certain exporting houses are selling here heavily and withholding their buying in upcountry places. These exporting agencies are agents of the buyers in the European market and the English market. They are buyers; they can never be sellers. All the sales are made merely to depress the market and not as a general course of business.

9543. In your statement, speaking about the internal remittances, you say: “Again *hundi* is not governed by this Act alone but by usage and custom of the place. If these are incorporated in the Act, some anomalies that have crept in, will be removed.” Can you make any definite suggestion as to what should be incorporated in the Act?—At present, the *shahjog hundi* is regulated by custom. They say that *hundi* should be paid to a *shah*, but it is never defined who should be called a *shah*. Formerly, when the villages were small, it was easy to say who is a *shah*, but in a city like Bombay, when a man sets up an office and calls himself a *shah*, there is no reason why we should not believe him to be a *shah*, and the *hundi* must be paid to him; but when the *hundi* turns out to be false, and even though we paid to the *shah*, the usage, as it stands, refuses to believe that it has been paid to a *shah*, and the payer ultimately suffers. I say that if this *shahjog hundi* is retained, steps should be taken to define a *shah* and there should be an accredited organisation in Bombay, and the membership of that organisation should be made a test of the *shah*. In old times the practice of doing *hundi* business was confined to real *shroffs* only. Nowadays, even a shoe-maker can issue *hundis* to his Bombay firm.

9544. As regards *mudati hundis*, which have gone out of use to a very considerable extent, you give certain causes; but we have also been told that one of the main causes is lack of confidence?—Lack of confidence and the stamp duty.

9545. If the stamp duty is reduced, do you think *mudati hundis* would be revived?—They may be revived.

9546. In your statement, you speak about the railway receipt being made a negotiable, legal and valid instrument of ownership. Will you please explain what you mean?—In practice the railway receipt is considered as a collateral security, though the railway does not accept the holder of the railway receipt for title to goods. In a recent decision of the Privy Council in this matter, it was held that the holder of the railway receipt, when he made actual payment against it, has a right on the goods covered by the railway receipt as against the endorser and consignor. But the railway receipts are not made negotiable, and the railways refuse to hold them as such, and till they are made negotiable, to make advances on such receipts is not safe. The man who consigns goods can stop delivery of such goods; but if it is negotiable, he cannot do that.

9547. Is much business being done on railway receipts as collateral security at present?—We advance money on the security of railway receipts.

9548. Is that always safe?—When there are no intermediate parties, the business is tolerably safe; but when they change more hands, the element of risk is great. So it is always insecure to have these receipts passing through several hands.

9549. Referring to your statement, do you want the High Court decrees to be executed in Indian States ?—Yes.

9550. They will ask for reciprocity. Would you agree to that ?—It is only as regards the decrees of High Courts.

9551. Some of the bigger States have High Courts ?—If there are semblances of High Courts, they are not real High Courts ; the judges are removeable.

9552. If you want to have your High Court decrees executed in Indian States, they will naturally ask for reciprocity ?—It is for the Government to think whether the appointment of the judges, or the tenure they hold, is so secure as the British system, and if it is so, I would have no objection.

9553. In your statement you speak about the functions of the *shroffs* and you say that they receive money on current and fixed deposit accounts. You told us that there is not much of fixed deposit business. Do they finance industrial enterprises to any large extent outside Ahmedabad, because we were told that they do so in Ahmedabad ?—Outside Ahmedabad they finance ginning and pressing factories.

9554. Do you want *shroffs* to take up certain business which the Imperial Bank and joint stock banks are doing ?—Yes.

9555. You say that they do not publish their balance sheets. If these *shroffs* do not publish their accounts, how is any bank or Government to invest them with certain functions, unless they know what their financial position is ?—There are certain *shroffs*, who are not averse to having their balance sheet audited and kept for inspection by any bank if there is a reasonable demand.

9556. You say that the *shroff's* position has been deteriorating, why is that so, if they are useful to the public ?—I believe that the whole financial position of the country, the whole economic strength of the country is being sapped by degrees and rapidly sapped.

9557. In your statement, you complain about the Imperial Bank and other joint stock banks not recognising the status of a *shroff* ; do you think that the very fact that they do not know anything about their assets and liabilities or about their income and expenditure explains why the joint stock banks cannot give them the same treatment as they do to other joint stock banks ?—It is not in the matter of advances only that the different treatment is meted out to *shroffs*, but even when certain requests are made, they are treated in an unsympathetic way and sometimes even with over-bearing manners. It is the change of heart that we want.

9558. In the next paragraph you say : " It has often been asserted that among functions of this prime Bank of India, which are many and of a hybrid character, one of the foremost was to create the banking habit in the masses and afford better credit facilities to the trade and agriculture of the country." What is it that you are referring to ?—The idea is that the functions of the Imperial Bank are varied and not as strict as they should have been in case of a constituted institution.

9559. Do you mean that it is doing the business of an ordinary bank and at the same time acting as a bankers' bank ? Is that the idea ?—Yes.

9560. In your statement, you say : " There is really dearth of genuine trade bills in India." What are the kinds of trade bills you are referring to ?—The trade bills are : Suppose a man buys certain bales of cotton and he has stocked them with him. He is

not able to pay, and he gives time bills to the man who sold the goods to him, and when the trader has this bill from the buyer, he can cash it in his turn.

9561. Are there not many such trade bills at present?—The trade bills would be coming forth in any number, if only there were facilities to cash them.

9562. In your statement, you make certain suggestions for the improvement of the position of *shroffs*. The first suggestion is that facilities should be given with a view to co-ordinate *shroffs*. What facilities would the *shroffs* require for that purpose?—There should be an organisation created to link up the village *sowcar* with the town *sowcar*, and necessary facilities on the security of their credit should be given to them. The whole link is that there should be a State-aided bank, which should lend primarily and give facilities for cashing *hundis*, etc., to the *shroffs* here, and he in his turn to the up-country *shroff*, and the upcountry *shroff* to the village *shroff*, and in this way the whole organisation can be run.

9563. Do you want that the treasury business in the district should be entrusted to individual *shroffs*?—Yes, it was so in former times.

9564. What business did they transact?—All the Government balances were kept with respectable *shroffs*, and they did the treasury bill business.

9565. When was it?—In the North-West Frontier Provinces it is still prevailing, and in Native States the same custom prevails in certain places.

9566. *Professor Kale*: With regard to the complaint you make on page 12 of your statement, is it your contention that the Imperial Bank of India does not advance to trade the money which it receives from Government in the times of stringency from the paper currency to the extent of twelve crores of rupees? Do you think that is against the understanding?—It is positively against the understanding.

9567. That is to say, it must advance against any trade bills and not merely against promissory notes and other securities; and that is one of the reasons why money is not made available for the trade?—Yes.

9568. *Mr. V. L. Mehta*: But the money, which is raised under these arrangements, is made available to the community in some form or the other?—The advances have been made and certain promissory notes are taken and deposited with the currency department. It is not fair to make such an arrangement; it is simply window-dressing.

9569. *Professor Kale*: You say that if the same facilities are given to the *shroffs*, which are at present being given to the co-operative societies, it would be possible for the *shroffs* to lend cultivators at a lower rate of interest. As against these facilities that you propose, what guarantee will the *shroffs* give to the Government that a higher rate will not be charged? In the case of the co-operative societies the accounts are inspected and we know what rate of interest is charged to the cultivators. You want to place them on the same position as co-operative societies, but do you think that they would agree to publish their accounts?—If some security for speedy recovery of money is offered, I think many *shroffs* would be willing to keep their books in the form prescribed by Government and keep them open for inspection by Government auditors.

9570. Do you think that the rate of interest will be brought down and would even be lower than the rate charged by co-operative societies to-day which is in the neighbourhood of 10 to 11 per cent.?—There will be healthy competition, and much money will be realised. There will be an ample supply of money, and the rate must necessarily go down.

9571. In that system you are throwing upon the Government greater responsibilities than is thrown to-day by the co-operative banks?—I think the responsibility should be taken, if the whole agricultural and economic fabric is not to be ruined beyond remedy.

9572. Are you of opinion that the co-operative societies are not doing well?—Not that they are not doing well.

9573. In this sense, namely, that the rate of interest has been higher?—The hopes that were entertained of these societies have not been fulfilled. With the money at their disposal, there is no hope that they can cope with the demand.

9574. There is no complaint of lack of capital coming from co-operative societies?—It is because they do not know how to profitably invest their money, and that shows that they are not in touch with the village organisation.

9575. You have said that one of the functions of the *shroffs* is financing the industries. Do you not think that this is a recent tendency on the part of the *shroffs* to invest their money in industries?—Yes, because there was very little of organised industry. It is of recent times that people have taken to it.

9576. Do you think that *shroffs* do not invest in industries, because they think that it is more unsafe to invest in industries than in ordinary financing of trade?—India being primarily an agricultural country and industrial to a small extent, they have less faith in industry than in agriculture.

9577. Do you think it is possible even under the existing constitution of the Imperial Bank for that Bank to treat the Indian *shroffs* with greater sympathy and greater co-operation?—I believe it is utterly impossible.

9578. By a constitution, I mean, rules and regulations, under which they have to carry on their work?—Of course, the rules and regulations on paper can never take the place of the heart to heart treatment.

9579. You do not want any change in the rules and regulations, but in spirit?—We want a change in the spirit and in the mentality.

9580. You refer to the evil of prices being depressed in this country by exporters. Will it not be a practicable proposition for having some Indian organisation to provide for a fair price to producers?—These artificial remedies cannot work.

9581. What is your remedy?—Your suggestion would mean, I believe that a commercial organisation should be created. How is it to be done?

9582. There is a demand for oil mills in foreign countries, and they employ agents in India to buy their raw materials as cheap as possible. The exchange banks assist these agents in buying as cheap as possible. Cannot these agencies be substituted by an Indian agency to protect the cultivators? Why should not the community or the commercial organisation take up this problem?—It would come to the very suggestion that I am suggesting. You perhaps have in view certain co-operative organisations, that exist in America, on the lines of the American co-operative societies, which lend money and enable the farmers to hold on the cotton and to assist him against forced sales. That is just the thing I am suggesting.

9583. I am suggesting that the Indian *shroffs* should take up this problem?—It is not possible without Government assistance. The whole organisation has to be run in

conjunction with railways, steamer companies, and here the Government would come in. Until the Government make all these agencies work in co-ordination, nothing can be done.

9584. I am suggesting that some private organisation should take it up with the help of Government. Have you thought of such a scheme?—I have not thought of such a scheme; but if such a scheme could be made workable on proper lines, there would be no objection.

9585. *Mr. Desai*: You told the Chairman that *mudati hundis* have nearly gone out of use for two reasons, namely, the stamp duty and lack of confidence. Will you state your reasons why the confidence is lacking?—I think it is a matter of common knowledge that the whole financial condition of this country is going from bad to worse. From the root, we find that it is rotting, so to say. There is not the same nourishment to the plant of economic growth in this country which it ought to receive in the ordinary course of events. The drain caused by foreign exploitation and by foreign Government, which is unsympathetic to the needs of the people, is such as has drained the country of its life plant, and this has weakened the whole economic fabric of the country, of which the *shroff* is only a part.

9586. You have stated general reasons. Will you give your reasons basing your argument only on trading facilities?—Trading facilities are denied at present by the Imperial Bank of India, whose whole outlook is very rigid and unsympathetic. The exchange banks also help the exporters only, and they simply take away deposits from the country, which they should be prohibited from doing, and again they help the exporters to take away the produce at a cheaper rate.

9587. In your statement, you state that agricultural industry is unremunerative. Will you please assign causes and give your reasons as to how it can be made remunerative?—I think we have stated the causes which have led to the unremunerative state of agriculture, namely, high revenue demand by Government, progressive deterioration of land, small and uneconomic holdings and low level of prices realised for the produce due to the 18d. ratio and lack of credit facilities. If these are remedied, the condition would improve. But above all, there should be a change of mentality on the part of Government, the exploitation by the exchange banks should cease, the exploitation by foreigners should cease; there should be equal facilities for finance and the central banking institution should be placed in the hands of Indians, so that it can handle the whole thing sympathetically and would be in better touch with the requirements of the people. I would also add that the 18d. ratio should go and there should be gold currency and gold standard. These are all the remedies for making agriculture remunerative.

9588. You have stated that the position of *shroffs* has been undermined by the Government passing the Dekkhan Agriculturists' Relief Act. Will you give your reasons, whether it has been affected by the Act or legislation by the Government in the legal and executive capacity?—I think there is a fundamental misconception in the minds of the Government and the Western thinker or text-book writer, who has taught our University people to think in a particular way. They mistook the village *shroff* as a blood-sucker and have created that mentality everywhere. Even an educated Indian would say that because he has taken his cue from text-books, and the same thing is observable

even in the High Court, where the judges take a view against the *shroff*, starting with the pre-conceived idea that the *shroff* must be in the wrong and the agriculturist must be in the right. And the same treatment continues even at the time of the execution proceedings, and if there is any loop-hole by which the *shroff* can be made to lose his money, that is availed of in order to wipe off his claim.

9589. In your statement, you say that the *shroffs* advance money on call and for fixed periods on security or on personal credit as the case may be. I ask you whether the present joint stock banks or the Imperial Bank will be able to finance on the same lines as the *shroffs* do?—No, I do not think so.

9590. Can you give any reasons?—My reasons are that the *shroff*, being in touch with the community not for some days or years but for his whole life, and having passed his life with the people, knows them thoroughly, and the intimate touch and the personal knowledge cannot be replaced by an agency which does not possess these qualifications.

9591. You have told us that your members are not receiving the same treatment as others. Will you please enlighten us with further details in saying how and in what manner the members of your Association receive credit facilities at the hands of the Imperial Bank?—I am sorry to say that they do not receive any facilities whatsoever. The treatment meted out to *shroffs* is not better than the treatment meted out to current account holders. Their status does not receive any consideration, and they are treated unsympathetically.

9592. *Mr. V. L. Mehta*: In your statement, references have been made to some differential treatment meted out by the Imperial Bank to *shroffs* and other people. Is it based on any personal experience or any facts brought to your knowledge, or is it only a general impression?—I know of instances upcountry, where even if the goods are not in the Government warehouses or in the possession of the Imperial Bank or even within sight of the bank, large advances are made to exporting houses, such as Ralli and Volkart Brothers, while the most respectable merchants of approved trade and whose financial position cannot be denied in the least do not get even a part of the facility.

9593. *Mr. Desai*: In your statement, you say: "The *shroffs*, who may be taken on the approved list of the Reserve Bank, will submit, if so required, audited balance sheets to the Bank." Assuming for a moment that the Reserve Bank is not established, and if the Imperial Bank Act is renewed for a further period of ten years, would you be prepared to submit your balance sheet to the Imperial Bank, provided the Imperial Bank is prepared to give the same facility?—Most emphatically, "no".

9594. Why?—Because their whole attitude is unsympathetic; and I do not believe that there can be any improvement in this mentality, which is entirely unsympathetic, as I stated before. We are being treated as aliens in our own country. When we approach them, there is no attempt made even to understand us, and we are denied even the elementary facilities, which are being showered on the exporting firms. The angle of vision and mentality requires a thorough change before the Imperial Bank can be trusted with powers, which are proposed for the Reserve Bank.

9595. *Mr. Chikodi*: You suggest that the revenue assessment should be reduced. Have you any idea as to what extent it should be reduced?—That would vary with the provinces and the nature of the land. That requires an enquiry.

9596. We are talking of the Bombay Presidency ?—Even in the Bombay Presidency the rate of assessment is heavy, and it should be reduced.

9597. Do you mean that the land revenue should not be reduced wherever it is light ?—It could not be uniform.

9598. Supposing it is reduced, what would you suggest to replace the deficit ?—By Indianising the whole machinery and reducing the expenditure, I would fill up the gap by reducing the Government demand.

9599. If all these causes, as you suggest, are removed, the agriculturist will be able to make his business remunerative. What do you propose to remove the indebtedness of the agriculturist ?—If the rate of interest is reduced by the means I have explained in previous questions, the indebtedness would at least cease to increase, and then means may be devised of going to the past accounts and of trying to free the agriculturist from the paper debts, which are not justified.

9600. How do you propose to do that ?—By holding enquiry into each individual accounts.

9601. Do you want any special court ?—I have not thought of it ; I am not a lawyer.

9602. You propose the abolition of the Dekkhan Agriculturists' Relief Act. Do you suggest any measure to protect the agriculturist from the rapacious Pathans ?—I have said that the books of the *shroffs* should be kept in approved form and they should be open for inspection.

9603. Will that prevent the agriculturist from falling into the clutches of these Pathans ?—If these are not sufficient, further means may be devised ; but the means would depend on the evils which we notice.

9604. The evil is that the rate of interest is usurious, and measures for preventing it are necessary, and I ask you what would you suggest if you want to repeal the Dekkhan Agriculturists' Relief Act ?—If the revenue officer was more sympathetic and vigilant, these evils would be reduced to a minimum.

9605. I believe you know that the Bombay Legislative Council has passed the Bombay Cotton Markets Act. Are you in favour of that Act ?—I am not against any attempt that is being made to improve the marketing facilities.

9606. Are the *shroffs* in the *mofussil* in favour of that Act ?—They are not, because looking to their past experience they always view any Government measure with suspicion.

9607. They may be prejudiced ; but supposing the Act by itself is a good Act ?—The prejudice will go away in time.

9608. In your opinion such an Act should be passed and made applicable even against their opposition ?—Not for a very long time. In the experimental stages, every measure has to be given a fair trial, but if it has proved detrimental, it should be abolished immediately.

9609. Do you want Government balances to be entrusted to the *shroffs* in the district ?—Yes, within certain limits and with proper safeguards.

9610. What are these limits and safeguards ?—The limits would depend on the worth of the *shroff* and his resources and landed capital.

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9611. Supposing there is a man who is worthy, what safeguards would you propose that the funds may not be misappropriated?—I have already said that the *shroffs* would not be averse to publish their accounts and keep them open for inspection, if necessary.

9612. *Mr. Kamat* : Taking up the last point, about this proposal of your association that the *shroffs* should be allowed the agency work either of the Imperial Bank or of the treasury, let us be quite clear as to which conditions you would be prepared to accept and which conditions you would not be prepared to accept. You will agree that there are two points to be achieved, *viz.*, safety and the methods to be followed should be modernised. Under the first point, that is, safety, would you accept that the man who accepts the treasury work should not do his private business?—Certainly.

9613. Would you also accept that the man who accepts the agency should deposit some money with Government, say one-fourth or one-fifth?—How would the deposit of one-fourth help the Government when the man has kept four times the sum with him? If the man is not of good mentality, you cannot give him the agency.

9614. May we take it that you are opposed to keep certain deposits with Government?—His landed property and assets would be enough. I would not propose a cash deposit, because the idea is to increase funds at his disposal, and cash deposits should not be insisted upon where there is ample landed property.

9615. You, however, agree that Government should have a lien on his landed property?—Certainly.

9616. Coming to the second point, *viz.*, the methods to be followed should be modernised, would you agree to that?—By methods, if you mean methods of the bank, I beg to differ, because then the primary object of linking up the banking organisation will not be achieved.

9617. You differ that such *shroffs* should follow modern methods; but we shall take a concrete case. Supposing, according to your proposal, a Gujarati gentleman wants to be an agent, you want that he should be allowed to keep his accounts in Gujarati. And supposing there is a Parsee gentleman, who wants to be an agent of the bank, you would not accept the condition that the accounts should be kept either in English or in Gujarati, but you would follow the old conservative method of keeping accounts?—To modernise does not mean that the whole English language should be adopted.

9618. I take it you are generally averse?—No.

9619. Supposing certain forms are prescribed, would you be averse to them?—The common notion is that in the present banking system there are certain unnecessary forms and they lead to unnecessary overhead and other charges.

9620. Would you resist these forms?—Yes, but I am not against these forms and I would retain them so far as they are necessary in order to safeguard the interests of the Government balances and to present the true state of facts and conditions.

9621. In reply to the Chairman, in the beginning of your remarks you differentiated to a certain extent between the classes of *shroffs*. You say there are two kinds of *shroffs*, one the respectable and the other the rapacious?—Yes.

9622. May I take it that the *shroff* category and the village *shroff* falls into the respectable category?—No, it is then quite against what I have stated.

9623. At any rate, geographically speaking, you recognise that the better type of *shroff* is confined to the towns and the village *shroff* is much more conservative?—The urban *shroff* is satisfied with a less rate of interest because his advances are generally call advances. They are not locked up indefinitely whereas in the case of a village *sowcar*, it is locked up. That is why his interest is a bit high.

9624. In your agency work, would you link up the bigger *shroffs*, i.e., the urban *shroffs* only and leave the village *shroffs* alone, or would you also link them up in this chain of work?—I would link up the village *shroffs* also.

9625. And you would entrust to them the treasury work also?—The treasury work will be entrusted only in approved centres.

9626. To a certain extent the village *shroff* would be recognised by banks according to your scheme or would he be outside the recognition?—He would be helped by banks and given facilities. He may not be entrusted with a treasury.

9627. As far as your complaint that the Imperial Bank or the exchange banks do not meet you on terms of good understanding is concerned, is this common to the class of *shroffs* as a whole or do those *shroffs* who speak English and express themselves get better terms?—I think it is common to all *shroffs* even when they talk in English. Of course the disabilities and the chances of misunderstanding are greater in the case of those who can express themselves in Gujarati and cannot follow the *bada sahibs* and they have therefore to depend upon underlings.

9628. My point in asking you this question is whether the complaint that you make is due to the language difficulty or is it due to lack of sympathy?—The language difficulty is only a partial and a smaller cause, but the real difficulty is about the lack of sympathy.

9629. If your Association or the *shroffs* as a whole are doing a huge business as you claim something like 900 crores of rupees per annum, would they go a step further by a jump and start an exchange bank in which event they can have even connections in foreign countries to help export trade?—I think this would not be possible. Taking the existing banks as its model and as understood at present, even when a new bank is started it falls into the same rigid methods and if it goes in for other methods it is taken with distrust by the existing banks, and when this bank wants some help by the existing banks it is denied this help and it would come to grief as the Punjab National Bank which came to grief.

9630. *Mr. Buckley*: Have your Association any connection with the respectable village *shroffs* who are opposed to the usurious money-lender?—Yes.

9631. Are they decreasing in number?—Yes.

9632. You told that the agriculturist does not get a fair price and you gave various reasons. But are not the local quotations based on the prices existing in America or in London?—They afterwards adjust themselves. They have got to adjust to world prices.

9633. Speaking about the question of Government securities you say: "The Government will, therefore, do well to look primarily to the indigenous banker as an agency which would help the Government in popularizing investment in Government securities". You use the word "primarily". You do not say "exceptionally"?—Almost all the money is call money with the *shroff*.

The Bombay Shroff Association.

9634. He would not put the money in Government securities and he would probably deposit it in some other ways?—It would depend upon the man who deposits with him. Much would depend on his advice. If he wants to deposit in Government securities, the *shroff* will be prepared to do so.

9635. About savings bank accounts, would you be in favour of placing some restrictions on them which could be enforced? At present the ordinary joint stock banks mix up all the moneys. The idea is to bring the small man's savings and see that they are properly invested. Would you, therefore, like to see that some Government restrictions should be placed on the savings bank accounts as to how the savings bank money should be invested on the part of private joint stock concerns?—In that case they would be deprived of the use of these funds.

9636. You would rather see that they employ this money in the general business of the bank?—Yes; if the money is locked up in Government securities, it will not be useful for the purposes for which we want it.

9637. Do you advocate the abolition of postal cash certificates?—Yes.

9638. You are depriving a small man from investing his money in the same?—I think the postal cash certificate is unnecessarily raising the rate of interest.

9639. *Mr. V. L. Mehta*: You have various associations for *shroffs* both here and upcountry. Are there any means of communication between all these associations? For instance, if there is some policy to be adopted, is there one body which can see its suggestions are accepted?—There is no central body.

9640. Nothing like a federation or a union?—No.

9641. You speak about unfair competition on the part of the Imperial Bank of India in respect of deposits at its branches. I should like to know exactly how this unfair competition comes about. I am asking you this question because the Imperial Bank, as I understand, generally offers a very low rate of interest on deposits. On current account it pays nothing. The *shroffs*, if they accept an open current account and accept deposits, would certainly be paying a high rate of interest. Therefore, where does this unfairness in competition lie?—Generally they attract State and other money.

9642. Is it in respect of State and quasi-State funds?—Yes; the other reason is where the deposits are kept with the *shroffs* the income-tax affair comes in.

9643. This you have referred to in your statement?—Yes.

9644. This is one element which makes the competition unfair?—Yes.

9645. Then speaking about the Reserve Bank of India you say: "The second thing of importance is that the Bank should give the *shroffs* the same status as the joint stock banks and accord them the same treatment in all matters." Do you mean to all *shroffs*?—I mean to the *shroffs* which might cover also village *soucars*. Whether they are doing business in crores or in thousands, all the *shroffs* must be given the same status as the joint stock banks.

9646. I am asking you this question because originally the Reserve Bank Scheme contemplated the admission not of all joint stock banks into the category of representative banks but certain banks with larger business. So you will have to draw a line between smaller *shroffs* and larger *shroffs*?—Yes.

9647. You say that they would as a condition of their being admitted as approved customers of the Reserve Bank submit audited balance sheets. But in addition to the

submission of balance sheets of banks which were to have connections with the Reserve Bank, under the Bill, they have to keep certain deposits with the Reserve Bank permanently and have also to submit periodical accounts from which the Reserve Bank could find out what their time liabilities and call liabilities were. Would *shroffs* be prepared to undergo similar formalities?—I would never recommend such formalities. Our idea is that it should act as the real State Bank and not only as a bankers' bank.

9648. About accountancy system, I believe you are conversant with the transaction of *shroffs* with their customers and not with the transactions of village *sowcars* or money-lenders with their customers?—No.

9649. You are conversant with the accountancy system of *shroffs* with their customers?—Yes.

(The witnesses withdrew.)

THE MARWARI CHAMBER OF COMMERCE, LTD.

MEMORANDUM.

My Board have not dealt with all the questions contained in the questionnaire. For instance, they have omitted to reply to the majority of the questions in the first portion and some questions in the last part of the questionnaire. Only those questions which directly or indirectly relate to the indigenous banking system have been as far as possible fully discussed and answered.

2. Amongst the three hundred members of this Chamber about one hundred are indigenous bankers or *shroffs*. Most of these *shroffs* have numerous branches in different parts of the country. Consequently they are conversant with the banking conditions obtaining in many commercial as well as agricultural centres of the country including some of those in the Bombay Presidency. At the same time these members, and naturally also the Board, cannot claim to have an intimate knowledge of the conditions in all parts of this Presidency. But in view of the fact that Bombay *shroffs* have dealings with various parts of the country, the conditions of which also influence the conditions in Bombay, my Board have kept in mind the facts and circumstances generally of the whole of India taking care to refer to only such of them as are more or less common and are applicable to the Bombay Presidency also.

SECTION I.

3. The existing methods of marketing crops in India are, more or less, of a crude nature. There has been little change in these methods for generations. The following description which includes processes that do not, strictly speaking, come under marketing, is intended to give a connected idea of the methods by which crops are marketed.

4. METHODS OF MARKETING.—The new crops are first removed from the fields to the open spaces outside each village not very distant from the fields, which serve as temporary storage grounds. From here the farmer generally takes the produce to his place of residence where it is stored in bulk in spacious rooms. Thence, and in certain cases also direct from the open storage grounds referred above, this produce is taken in bullock carts to small *mandis* or country-side markets. In the case of the villages

situated near a big central market, the produce is, of course, taken there. Here in these markets the goods are marketed through commission agents, generally specialists in the line.

5. The person who takes the products of the fields to the markets is not always the farmer himself. It is in many cases the village "exporter" who specialises in that line and who takes the produce to the nearest market. It sometimes also happens that the village dealer or the village *mahajan* also purchases the produce and puts the same on the market on his own account. The trader or the farmer, whoever he may be, has generally to wait in the market for a day or two in which time his goods are purchased by the wholesale dealers. From these markets different kinds of field produce find their way either to the ports for export to foreign countries, or to the local retailers and retailers in other places, to be sold for consumption in India. In the case of agricultural produce for export, retail and wholesale dealers of the markets are at present being eliminated. Since the recent past foreign exporting houses have begun to employ paid agents to purchase the new produce fresh from the fields directly from the village farmer. These efforts of the foreign exporters to capture the internal trade of the land are harming the interests of the merchant engaged in internal trade, without, as facts are, any compensating benefit to the agriculturist.

6. FINANCIAL REQUIREMENTS.—To understand the financial requirements in different stages of production and marketing of agricultural goods it is necessary to bear in mind the extreme poverty of the farmer—a fact which dominates all the processes of production and marketing of crops. That is the reason why agricultural finance takes peculiar and subtle ways. That is also why this financing commences from the time of seed-sowing or even earlier. The farmer requires finance first for seed, then for carrying on the various agricultural operations and last but unfortunately not the least, for keeping the wolf from the door. Then after harvests have been reaped, the farmer, unless he happens to be well-to-do, sells his produce without much loss of time for payment of land revenue or land rent, for purchasing the necessaries of life and repayment of debts. After the farmer thus parts with his products, further financial requirements arise for the various processes of the movements and marketing of such products.

7. FINANCING OF THE MARKETING OF CROPS BY INDIGENOUS BANKERS.—Let us now consider how the processes of marketing are financed. The new harvests are either purchased by local dealers in the market or taken on account by indigenous bankers, big and small, who combine the business of commission agency with banking. In the former case the dealer requires to be financed for exporting the same to central markets or ports. The dealers both of the village and of the market are mostly financed except, in regard to that part of the goods which is sold for local consumption, by the local indigenous bankers, who are in many cases, in their turn, financed by the big indigenous bankers of the said central markets or ports. In many cases the latter do the financing directly through their *mofussil* branches or indirectly through their commission agency business. A concrete instance will make it clear. There is cotton waiting, say at Akola, to reach Bombay for export or consumption. Either the Akola the dealer sends that cotton more or less on consignment basis to an indigenous banker in Bombay, who is also a commission agent, and immediately draws a *hundi* for an amount equivalent to about 90 per cent. of the value of the cotton. After it is sold the remainder is again paid by honouring another *hundi* for that purpose. Or the banker through his agent in Akola pays the said percentage to the dealer in advance of receipt of goods and later despatches the goods to Bombay. The indigenous bankers in the upcountry

(i.e., both in the presidency and outside) also finance by advancing money to the farmer or the dealer against goods which the bankers hold until such goods are sold at favourable rates.

8. It may briefly be restated that the indigenous banker finances agriculture by—

(i) giving seed or lending money for seed,

(ii) giving loans for agricultural implements, agricultural cattle, payment of land tax and also for subsistence and

(iii) by assisting movement of crops from the *mofussil* to the ports.

The financing under the first two heads is done on the security of would-be crops or standing crops, landed property and also on personal security or credit.

9. It may not be out of place here to mention that there are distinctly two kinds of indigenous bankers who assist in financing agriculture. One class comprises of individuals or firms who own large amounts of capital. The form and the method of their business are not far different from those of joint stock banks. Some of these big bankers have a net-work of branches located in numerous places in the country. The other class consists of bankers of comparatively smaller means who are found in small towns and villages. These latter work more as money-lenders than as bankers. Both these combine to put forth roughly about ninety per cent. of the total agricultural finance at present required and met. It may also be stated that the bigger bankers are more concerned with seasonal finance than with the constant advances all the year round.

10. FINANCING BY JOINT STOCK AND OTHER BANKS.—A small part of the finance required during marketing is also provided by the joint stock banks. Besides, indirectly these banks finance by advancing money during the marketing season to indigenous bankers. It may also be stated here that the exchange banks and other joint stock banks also substantially assist the foreign exporting houses by advancing to them requisite amounts of finance for seasonal requirements and thus take part in financing seasonal marketing. In this connection there is a general impression that these foreign exporters get greater facilities of finance than Indian traders and indigenous bankers.

11. FORMATION OF POOLS FOR HOLDING AND MARKETING PRODUCE.—The suggestion about forming pools or making co-operative effort for marketing produce does not appear to be practicable. As far as the farmers are concerned the possibility of consummation of the idea is yet extremely remote. Apart from this, the present economic and other conditions do not encourage such co-operative organisation. My Board feel that it would be wise to wait for some time yet before launching such schemes. If, however, any private effort is made to organise pools there should be no restriction to their development.

12. HUNDI AND OTHER NEGOTIABLE INSTRUMENTS.—The expression “negotiable instruments” includes promissory notes, cheques and bills of exchange. Of all three, the bill of exchange or *hundi* has the greatest importance. In India *hundi* usually takes the place of all the three kinds of instruments. Not that promissory notes and cheques are not used. They are in use in a limited degree and the use of the cheque is slowly but surely increasing. The promissory note is seldom availed of for trade purposes, it being generally utilised in private borrowing and lending. But the bill or the *hundi*

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is the most popular and extensively used instrument. If a person or trader has deposited with an indigenous banker a certain amount of money he draws upon it by drawing on the banker from time to time the *hundis* of desired amounts. If a debt is contracted the debtor writes or draws a *hundi* on himself and thus it serves the purpose of a promissory note. *Hundis* are very largely used for remitting money from one place to another. They save, to a considerable extent, internal use and movement of metallic currency, and thus expand credit. At the time of busy season when otherwise enormous quantities of metallic currency would be required the *hundi* serves the great purpose of virtually adding to the volume of currency and minimising the difficulty of the time. For the internal trade the *hundi* is an indispensable thing.

13. POPULARISATION OF HUNDIS.—It appears to my Board exceedingly desirable that effective efforts should be made to ensure a more extensive use of *hundis* and in this way not only to develop a habit of banking but also economise the use of bullion for currency purposes. This can be done by the following among other ways :—

(i) Encouraging the use of *hundis* not only among traders but also among non-traders, middle classes and masses. This can be done by co-operation with indigenous bankers.

(ii) By abolishing the stamp duty on *mudati hundis*.

(iii) By arranging that *Devnagary* (Hindi) characters should be more and more largely used in *hundis* with the aim of universalising the use of these characters for *hundis*. This is necessary for the reason that most *hundis* in North India, Rajputana and other places are written in *Mudia* or *Mahajani* characters, a fact which is an impediment in the way of popularisation of *hundis* for private remittances and causes difficulty and confusion. Besides Hindi characters can be read by the majority of the people.

14. INTERNAL REMITTANCES.—As far as trade remittances are concerned, *hundi* or the draft constitutes a full and adequate means. Bombay and Calcutta are the two clearing houses of India. Delhi, though in a lesser degree, performs a similarly important function. In any town of any consequence in terms of trade and commerce, *hundis* on Bombay and Calcutta can be sold and purchased in an unlimited measure. The result is that payments due to be made not only to merchants in these places but practically to merchants in all other trading towns are made through *hundis* of Bombay or Calcutta. In particular seasons large quantities of cash are transferred through banks for purchase and movement of new crops. To small places where there are branches of Government Treasury cash remittances are also made.

15. For private or personal purposes money is remitted internally through the agency besides of *hundis*, of—

(i) Money orders, (ii) Registered Insured post, (iii) Telegraphs, etc. and (iv) Cheques. As has been indicated above, *hundis* are not sufficiently utilised by private individuals for various reasons which will be more minutely explained in the following.

16. FINANCING AGAINST INSTRUMENTS OF OWNERSHIP.—Under this question there is one more point on which my Board should like briefly to express their views. As far as the experience and information of my Board go, railway receipts and to a small extent also bills of lading are the instruments of ownership which are generally employed for raising money during marketing. No doubt in forward contracts delivery orders are issued and *pass hands* as documents of title to goods in highly organized cities like

Bombay and Calcutta. But except in Calcutta and very rarely in Bombay, they are not commonly utilised for raising temporary or seasonal finance. Besides the use of delivery orders is by no means general. In other countries, particularly America, warehouse receipts and other similar documents are freely accepted as proper security to advance money on and thus are caused to render an invaluable service alike to the agriculturist and the trader. This wholesome practice has no vogue in this Presidency though godown receipts are largely used in the Punjab and the United Provinces for obtaining finance.

17. My Board therefore suggest that arrangements should be made to establish licensed warehouses in this Presidency. These warehouses may be opened and run either with the co-operation of the Railways or with the assistance and direction of Government or in both ways. In the former case there need to be in junction and terminus stations spacious warehouses. The Railway would have to arrange that any one wishing to despatch goods at a particular future date may store the same in such a godown and obtain at that very moment a railway receipt which may be employed like the present railway receipts for raising finance. But this will not be effective and adequate for the needs of the whole country. Besides, this is an arrangement very different from what licensed warehousing stands for in other countries. These may be operated in the following way. They may be opened either by the Imperial Bank, other banks or bankers, by private persons or by Government. But whoever establishes these, their working should be under some form of Government control and direction. A small rent may be charged for storing. Any agriculturist or trader may bring his goods to the licensed warehouse. On receipt of these goods the Manager of the warehouse should issue a receipt stating the description and quantity of the goods. These warehouse receipts should be made negotiable. These receipts representing so many tons or maunds of grain, seeds or cotton will thus be an excellent security for raising finance. The arrangement is calculated to add to the holding power of the agriculturist.

18. In bigger places it would be desirable, if possible, for warehouses to specialise in particular commodities. For instance, a set of godowns may be reserved entirely for storing cotton, others may store solely wheat, and so on. The system will become more scientific and increase its usefulness if arrangements can be made to survey each lot on its entry into the warehouse and the result of such survey in regard to the quality and refraction, etc., of the goods is entered on the warehouse receipt. This will enable a financier to calculate fairly correctly the amount of credit that can be safely given thereon. The success of the experiment will thus be ensured. Even though it may not be possible to secure this latter facility at the outset, a beginning may soon be made. My Board strongly recommend that licensed warehouses should be opened and operated and every effort made to make them a success.

19. My Board suppose that the idea of licensed warehouses should take some time to materialise. They have therefore to suggest that meanwhile the Railway authorities should make arrangements so that a railway receipt in respect of any lot of goods may be issued on the same day on which such lot is taken to the Railway yard. There may therefore be two different kinds of railway receipts. Firstly the prevalent kind of railway receipt on which the date of consignment is written and which is issued only when requisite wagons are available. It is implied thereby that the goods of a railway receipt are despatched on or about the date of the railway receipt.

20. The second class of railway receipts will contain the date of the entry of the goods into the Railway yard or warehouse. There will need to be an implied or expressed condition stipulating that the goods shall be despatched so many days after the date of the railway receipt. The charge made to the consignor may include, besides freight, as at present, the amount of premium the Railway may have to pay for insuring the goods lying in the Railway warehouse or yard. For it would be necessary to insure such goods against fire, theft or any other accident. In other respects this railway receipt will be similar to the other kind at present in use. This suggestion is made with a double end in view. If carried out, it will remove the grievance that wagons are not provided by Railway authorities promptly during the marketing season which causes loss of interest to the consignor. Besides, it will provide the facility of raising finance immediately a dealer or farmer has his produce ready in his possession and in a marketable condition.

SECTION II.

21. FUNCTIONS OF AN INDIGENOUS BANKER.—The functions of the indigenous banker or *shroff* are practically the same as those of joint stock banks with one important exception that the indigenous banker as a rule does not use cheques. Though a few *shroffs* have attempted to adopt the system of cheques their number is too small to merit mention. The indigenous banker takes deposits both on current account and for fixed periods, gives loans for short as well as long duration, gives money on call, discounts and accepts *hundis* or bills for collection and gives *hundis* or drafts for purposes of private and trade remittances.

22. The *shroff* generally combines with banking the business of commission agency which in its effect is also a form of banking. In some cases he is also engaged in trading on his own account. There are three classes of bankers. Firstly, those who do no other business except that of banking, secondly, those who are both bankers and commission agents and lastly, those who are principally merchants or traders, but who also employ their capital, more or less according as it gets disengaged, in banking, the latter being a subsidiary branch of their business. It may be interesting to the Committee to know that the largest number of indigenous bankers belong to the second category described above. Second to them in number and perhaps also in importance come the first and the third classes.

23. FINANCE OF AGRICULTURE BY SHROFFS.—The indigenous bankers in Bombay, directly through their branches in the country-side and indirectly through the local bankers in the *mofussil* whom the Bombay bankers finance, are instrumental in financing agriculture to a considerable extent. The question of agricultural finance has been discussed at length in the foregoing pages.

24. FINANCE OF TRADE BY SHROFFS.—The indigenous banker finances trade in a substantial manner. As far as the internal trade is concerned indigenous bankers finance roughly, on a conservative estimate, about seventy-five per cent. of the total internal trade in numerous ways, though their part in the financing of foreign trade is practically negligible.

25. The Bombay *shroffs* finance internal trade in the following among other ways:—

(i) The *shroff*, who is also a commission agent, pays to his *mofussil* constituent from seventy to ninety per cent. of the price of the goods against railway receipts either by honouring the bills drawn by the constituents or through his branch in the *mofussil*. This advance remains until the goods of the railway receipt are sold in the market, but this is done wholly on behalf and account of the constituent.

(ii) The *shroff* also purchases on account of his *mofussil* constituent bullion, piece-goods, sugar and other imported commodities and pays up usually the whole of the price of the goods to the seller in Bombay and receives back the money from his constituent after the goods purchased for the constituent are received by him, frequently many days thereafter.

(iii) The indigenous banker also finances internal trade by discounting trade bills or *hundis* some of which he gets rediscounted by the joint stock banks.

26. FINANCING OF INDUSTRIES BY SHROFFS.—The financing facilities afforded by indigenous bankers to industries also are by no means inconsiderable. The cottage industries and the smaller factory industries are mostly financed by *shroffs*. The bigger factory industries also receive financial assistance from these *shroffs* in several shapes. The following among them deserve mention :—

(i) Subscribing shares of manufacturing industries ; accepting deposits of shares and giving loans against them.

(ii) Purchasing and holding debentures of industrial concerns.

(iii) Giving loans either against the general security of the total mill property or against particular parts including products of the mills.

(iv) By joining managing agencies of mills as financiers.

27. THE SHROFF'S CAPITAL, VOLUME OF BUSINESS AND EXPENSES.—Since the questionnaire under reply was received by my Board, they have been trying to collect figures regarding the information asked for through this question. But difficulties have come in the way which have proved to be inseparable and unsurmountable. It is not therefore possible for the Board of this Chamber to give to the Banking Committee any estimate about the amount of capital invested, the volume of business and expenses thereon, which may be claimed to be fairly accurate or reliable. They have therefore to content themselves merely with expressing their idea about the same in general terms.

28. The amount of capital invested by the indigenous bankers of Bombay in their business of banking and commission agency is immense. Its quantity may be inferred from the extent of financial facilities provided thereby. The turnover of their business, though still very large, used to be much larger in former days. Even at present the total of daily cash receipts and payments of the indigenous bankers in Bombay would exceed that of the corresponding figures of the joint stock banks. The expenses incurred by these bankers on their business are, comparatively speaking, moderate. Their methods are remarkably economical, one reason among others being their simple system of accounting. In view of these facts it is a matter of regret that the profits of the indigenous banker have been steadily decreasing so much so that he is compelled by necessity to combine other trades with banking.

29. THE RELATIONS BETWEEN ONE INDIGENOUS BANKER AND ANOTHER.—*Shroffs* accommodate one another by giving short credits or call money. Whenever a *shroff* requires for fulfilment of his obligations more funds than he happens to hold on a particular day he immediately communicates with one or more of his fellow *shroffs* and the required amount of money is immediately forthcoming. All these transactions are covered by what are described as *chalu khata* and *byaj badla*, which interpreted in banking language may be termed as "Banker's mutual current and fixed deposit accounts."

30. THE RELATIONS BETWEEN INDIGENOUS BANKERS AND JOINT STOCK BANKS.—The *shroffs* obtain a limited amount of finance from joint stock banks on demand promissory notes signed by two *shroffs* on their approved list or by one *shroff* and one merchant. The *shroff* also gets finance on such of his *hundis* as are drawn by an approved merchant and are endorsed by himself, or by another approved *shroff*, if he is not an approved *shroff* himself. The period for which such accommodation is granted is usually two months. Each joint stock bank advances finance to a *shroff* on these lines only up to the limit fixed for such *shroff*. Even when it is not a busy season *shroffs*, a part of whose capital, like that of the bill brokers of the London money market, is borrowed, obtain liquid finance from these banks on the security of share certificates and Government paper. At present the relations between *shroffs* and joint stock banks are mutually beneficial and supplementary.

31. These relations are in nature similar to those described in (ii) above, though they differ in extent of facilities afforded and sometimes the Imperial Bank errs on the side of strictness. There is an impression rightly or wrongly entertained by the *shroffs* and other mercantile public that the Bank is not able to provide sufficient accommodation to the *shroffs* by rediscounting trade bills. The reason ascribed to this is that the Bank is not able from time to time to judge the position of each *shroff*. There is a grievance that the limits of the approved *shroffs* are not adequate, particularly in view of the fact that previous to the amalgamation of the three Presidency Banks into the present Imperial Bank similar limits were maintained by each of the three Presidency Banks. There does not appear to exist a satisfactory relation based on a perfect understanding of each other's position and requirements.

32. THE RELATIONS BETWEEN SHROFFS AND OTHER BANKS.—The *shroffs* have hardly any relation worth the name with the co-operative banks. The exchange banks, too, mostly come under the same category; for although they may be providing foreign firms with finance they hardly ever finance internal trade or rediscount *shroffs'* *hundis*, although these banks receive deposits amounting to about fifty crores of rupees annually from their clients in India.

33. One fact which perhaps has some significance from the point of view of the working of the credit machinery may be pointed out. It is that *shroffs* keep their rates of discount slightly lower than those of the joint stock banks and naturally also of the Imperial Bank and the rate of interest for mutual borrowing among the *shroffs* is cheaper than for other merchants or private individuals.

34. This question has been partly answered under part (d) above. Proposals by which more adequate facilities can be secured to indigenous bankers are made at another place in the following paragraphs.

35. CLASSES AND FORMS OF HUNDIS AND OTHER MATTERS.—There are two kinds of *hundis* called *darshani* and *mudati hundis*. The expression *darshani hundi* can be translated as a demand *hundi* payable at sight and a *mudati hundi* means a *hundi* or a bill drawn for a period of from 11 days to a year. Very rarely one comes across a *hundi* of a longer period.

36. As a rule both *darshani* and *mudati hundis* are *shahjog hundis*, payable to *shah* or *shroff*, i.e., "a person of credit and substance in the market." The legal implication is that the person 'drawee' paying the *shahjog hundi* is expected to make reasonable enquiries about the holder before making the payment. At least he must not pay a stranger.

37. Of very recent origin and of limited use is another class of *hundis* called *dekhadnarjog hundis*, the expression *dekhadnarjog* meaning "pay the presenter." In English it would mean nothing more or less than a bearer bill.

38. Besides there are fixed deposit (*byaj badla*) and current account receipts. The practice of keeping printed forms of these receipts has, of late, become common. Generally the forms both of a current account deposit and fixed term deposit are the same.

39. Sample copies, printed or written, of all kinds of *hundis*, deposit receipts, promissory notes used in Bombay particularly among the members of this Chamber and their translations in English are attached.

40. IMPORTANCE OF THE SHAHJOG HUNDI.—My Board desire to make a few remarks about the *shahjog hundi* at this place. The character of the *shahjog hundi* is unique. There is nothing in English or Western banking practice corresponding exactly to the denotation of '*shahjog*.' If a *shah* or a *shroff* may be accepted to mean purely a banker, as, it appears, the word originally did mean, the *shahjog hundi* is a cross-bearer bill. That, however, does not bring out the whole significance. There is a special crossing known in modern banking by the terms 'Not negotiable' meaning 'Beware of the holder.' Both these crossings may by combination express the sense of '*shahjog*.'

41. Now, this form has been a wonderful success since the days gone by when economic and social and political conditions were of a different and simple nature up to the present day when economic organization is highly developed. The peculiar character of the *shahjog hundi* has been instrumental in largely popularising the use of *hundis*. The drawer and all the intermediate parties after him have a sense of security in so far as they know that if the drawee pays the amount of the *hundi* to a person having no title to it, he (the drawee) will be held responsible and their own moneys are safe. On the other hand the drawee relies on the fact that he is paying a known *shroff* or merchant so that if a defect of title is subsequently discovered he can get his money back.

42. Recently, however, there have been some cases in which the *shroff* who made payment of a *hundi* to a holder who turned out to be a bogus party was penalised. No doubt in big modern cities where it is no longer possible to know every trader in the whole city such cases of hardship are likely. But this difficulty can be overcome by insisting to honour a *shahjog hundi* only if it is held and presented by a *shroff*. Some people are in the habit of lightly recommending that *shahjog* must go. My Board are strongly of opinion that no change need be made in this matter.

43. My Board have also to suggest that with a view to obviating the difficulty in deciding whether a particular party presenting a *hundi* is a *shah* or not, arrangement should be made to establish an Association in Bombay the members of which should be considered as *shah* for the purposes of *shahjog hundis*. Members of all the recognized trade Associations should be admitted as members of the proposed Association. Non-members of credit and substance should also be eligible. The membership of the Association should be restricted and special provision should be laid down providing that only known and reliable parties be admitted into the Association. The Association should keep full addresses and other necessary particulars about the business, etc., of the members. This Association will, in course of time, become the authority for interpreting, directly for the benefit of the members and indirectly for the public generally, the

customs and practices relating to *hundis*. It should be therefore a thoroughly representative Association which should inspire public confidence. Such Associations may also be established in other cities. For the consummation of this idea private effort must be supplemented by state help.

44. KINDS OF LOANS ADVANCED BY SHROFFS.—The indigenous banker in Bombay advances loans of the following kinds :—

(i) *Khata Peta* or *Chalu Khata* : As has been stated above, *shroffs* generally borrow from one another under *Khata Peta* or *Chalu Khata*. *Chalu Khata* has a double meaning. It serves the purpose both of loans and deposits so far as transactions mutually between *shroffs* are concerned. If one *shroff* asks another for a certain amount of money as temporary accommodation and gets the same, it is a *Khata Peta* transaction and is in the nature of a clean overdraft or call money. On the other hand if one *shroff*, of his own accord, deposits with another some of his surplus funds, even then the transaction will be called a *Khata Peta* one, though in that case it is merely a deposit in current account. The moneys borrowed or deposited in this way must be returned whenever the leading *shroff* wants them back. The borrowing *shroff* has also the option to return the same whenever he desires. It may also be noted here that *Chalu Khata* means merely a deposit account to a private person. Loans to private individuals are given on different conditions.

(ii) *Byaj Badla* or *Miyudi Khata* : Transactions under this account are similar in nature to those described above. The only difference is that under this account moneys are borrowed and deposited by previous mutual settlement by which the rate of interest and the period of loan or deposit, as the case may be, is fixed. This period generally varies from a fortnight to a year.

(iii) Discounting of *mudati hundis* : By discounting *hundis*, *shroffs* have been advancing finance to traders to a considerable extent. Formerly this form of finance was very common. Even at present it is largely prevalent, although owing to the high stamp duty on these *hundis* their use has much decreased. That is the reason why my Board have strongly recommended abolition of the duty.

(iv) Loans for long periods : Loans for long periods are also fairly common. They are advanced against various kinds of securities such as jewellery, bullion, shares and securities, agricultural produce like cotton, grain, seeds, etc., and immoveable property.

(v) *Shroffs* also give short credits locally against railway receipts endorsed in their favour. This is different from commission money business.

45. The way in which the indigenous bankers from time to time provide themselves with funds from one another has been mentioned. They also borrow moneys from joint stock banks and the Imperial Bank against promissory notes, trade bills, shares and securities as explained above.

46. RATES OF INTEREST ON LOANS AND DEPOSITS.—The rates of interest charged by indigenous bankers are as follows :—

(a) *Khata Peta* Rate :—The official rate fixed by the Marwari Chamber of Commerce remained 7 annas 9 pics per cent. per mensem up to the year 1919. From 1920 to 1926 it was 10 annas per cent. per mensem. In about 1927 it again became 7 annas 9 pics and continued to be so up to the beginning of July last. Since then *Chalu Khata* rate has been 9 annas per cent. per mensem. By mutual agreement the members charge

a higher or a lower rate according as the season is busy or slack. Generally the *Chalu Khata* rate varies from four annas to eleven annas per cent. per mensem. The other *shroffs* in Bombay also keep the same or similar rates.

(b) *Byaj Badla* rate is, according to circumstances, either slightly lower or slightly higher than the *Chalu Khata* rate. It varies more or less according to the bank rate.

47. RATES OF INTEREST IN VILLAGES.—My Board are not aware of the alleged practice among *shroffs* to insist on advances being drawn in the shape of commodities purchased through them or repaid in goods sold through their agency. As far as Bombay is concerned the practice is unknown.

48. The Board are not able to mention the exact rate or rates of interest charged by *mahajans* in villages in this Presidency. To the best of their information the usual average rate is 12 per cent. Rates vary with different places and with different borrowers. The rate that a particular farmer will get depends upon (i) his economic condition, i.e., the immoveable and other property possessed by him, (ii) crops present or future, (iii) his business credit and (iv) moral character or credit. A farmer who can offer any of these kinds of security, not necessarily by mortgaging, can get loans on reasonable rates. The net return to the village *mahajan* or *shroff* is roughly about 9 per cent. on the amount of capital invested.

49. My Board would certainly welcome a reduction in the rates of interest charged in agricultural parts. It goes without saying that if the farmer can obtain loans on cheaper rates to that extent he will effect a saving which he can spend for useful purposes. But my Board fear that it is by no means easy to bring about the said reduction in the near future. The main reason for this is that through a variety of causes the farmer is not in a position to offer any security for his debt. The implied security of his next crop carries a considerable amount of uncertainty caused by the uncertainty of the monsoon. My Board feel that no institution worked strictly on modern banking principles can shoulder the risk involved in entirely unsecured debts. The village *Mahajan* who takes this risk believes himself to be protected by the high rate of interest. Any law prohibiting high rates of interest will not be effective until the condition of the farmer is otherwise improved.

50. SHROFFS' METHODS OF BUSINESS.—There is no prejudice against the indigenous bankers in Bombay. On the contrary they are generally looked upon with respect and are naturally popular among the trading community. As far as the knowledge of my Board goes their methods are entirely above board. Generally the indigenous banker has a very high sense of business honesty and is exceptionally careful about his credit. A few facts may be mentioned with advantage. Until about a few years ago there were no strict banking hours among the *shroffs* on account of the belief that a *shroff* with a good credit must not refuse payment at any time of the day or night. An old rule of this Chamber enjoined honouring certain *hundis* even up to 12 o'clock at midnight. Formerly *shroffs* would not give receipts of deposits, it being considered derogatory to a good *shroff's* credit and a reflection on his word and his books that he should be required to pass a written receipt. The *shroff* is punctilious to a degree about recording in detail the strictly correct and honest nature of every transaction in his books of account. All may not know that the *shroffs'* system of accounting is a scientific system though at the same time a very simple one. In essence and largely in form it is nothing less than the modern double entry system.

51. Although old ideas and methods are changing and the *shroffs* are adapting themselves to the new conditions, the underlying spirit and the sense of strict honesty and fidelity remain unaffected. As far as the knowledge of my Board goes there is nothing in the conduct of dealings of the *shroff* which may not be called sound.

52. Unfortunately the *shroff* is now coming to receive embarrassing attentions from Government. The Bombay Government has passed a law styled the Dekkhan Agriculturists' Relief Act which includes a section effect of which is that if a dealer in the *mofussil* has purchased goods through a commission agent in Bombay and such dealer subsequently becomes owner of an agricultural holding from which he derives a substantial income, the commission agent—he is as a rule also a *shroff*—cannot sue the dealer for the price of the said goods in Bombay Courts. He must go to Hubli or Dharwar wherever the dealer happens to reside. On the face of it, this is an unjust arrangement and seeks to put the commission agent to inconvenience and loss. This law must be suitably amended.

53. HOW SHROFFS CAN BE MADE MORE SERVICEABLE.—The indigenous banking system of India has worked efficiently and satisfactorily for centuries and has conduced to the well-being and prosperity of the country. This system has been adapting itself to the changing conditions of modern times and with a little improvement here and there, with a little State recognition and State help the system can be made to answer all the purposes of an efficient, serviceable and sound country-wide banking machinery. Owing to certain causes the indigenous banker has recently become even more handicapped than in earlier years. His business has been steadily decreasing, his profits vanishing and his position getting slowly undermined. It is the duty of Government and the public not only to reinstate him on his former position but to equip him with all the resources and facilities necessary to enable him to discharge the heavier responsibilities arising from the new and progressive conditions of the country in a manner satisfactory to all concerned.

54. The chief handicap under which the *shroff* is working is the insufficiency of facilities of finance. Private finance, in order to enable it to meet the increasing demands of trade, ought to be supplemented by State money. In each modern civilized country there is a banking system fountain head of which is the State Bank and which has branches and sub-branches spreading out in all parts of the country. The finance that flows from the fountain head goes coursing along the branches and sub-branches and irrigating and nourishing every form of economic enterprise—trade, commerce, industry and agriculture.

55. The State's banking agency in India is at present the Imperial Bank of India. In other countries the State Bank is either a bankers' bank like the Bank of England or, if it does banking business on its own account, it takes care not to compete with private banking agencies. The Imperial Bank does not follow these principles. The result is that instead of finance flowing out from the reservoir it is drained and drawn to it from the numerous little spots in the country. The Imperial Bank's competition is being felt by all the Indian banks and bankers. The following facts are worth mentioning in this connection :—

(i) The Imperial Bank is manned by European staff who have few, if any, opportunities of knowing their Indian clientele, particularly the *shroffs*. In the absence of any contact, social or otherwise, the manager is not in a position to appreciate and correctly appraise the position of his clients. Hence even such facility as is theoretically available to the *shroff* is not possible to be given fully in practice.

(ii) The Imperial Bank gets enormous amounts of Government money free of interest and is, therefore, in a position to compete with private banks and bankers.

(iii) The deposits received in *mofussil* branches of the Bank are drained to the head office as the foreign managers of these branches are unable to employ them in local trade and commerce without, as they think, incurring risk. This worsens the position immensely.

(iv) Most of the loans proposed to the *mofussil* branches are given only after and not before consent is obtained from the head office.

(v) The credit limits fixed individually for the *shroffs* in the capitals or banking centres are inadequate. It has been particularly so since the amalgamation of three Presidency Banks (Bengal, Madras and Bombay Banks of old) into the Imperial Bank. Formerly each of the Banks had the same limits individually as are now maintained collectively by the amalgamated Bank.

(vi) There is an impression abroad that the one hundred branches recently opened by the Imperial Bank are not bringing profit.

The cumulative effect of the abovementioned factors combined with other difficulties has contributed to bring about a thoroughly unsatisfactory position.

56. My Board have therefore to submit for sympathetic consideration of the Banking Committee a suggestion which, as the Committee will see, has the support of a large section of public opinion in Bombay. It is as follows :—

(i) The policy of opening branches of the Imperial Bank in the *mofussil* should be discontinued.

(ii) Instead in principal centres of trade and agriculture *shroffs* of substance and credit should be appointed as agents of the Imperial Bank, one in each place. It would be better if more than one combine to form into a firm.

(iii) These agents may be required to :—

(a) Put a certain deposit with the Bank as security.

(b) Give a guarantee for a particular volume of business to be done at the place.

(c) Submit to periodical examination of their transactions and accounts by the Bank's inspector.

(iv) These agents may be prohibited from—

(a) Doing any business banking or other with the Bank's money and

(b) Keeping his own goods in the Bank's godown.

(v) Appointment of these *shroffs* should be made in the first instance for a period of 5 years which may be from time to time renewed, though in case of fraud or misconduct their services may be dispensed with on shortest notice.

(vi) Godowns should be opened by the Bank and put in charge of the agents. Godown-keepers may be appointed by the Bank.

(vii) If the experiment proves to be a success, the *mofussil* branches of the Imperial Bank must be discontinued.

57. My Board feel confident that given a fair chance this proposition is bound to be successful and fulfil all the banking requirements of the places where it is worked. The fact of the connection with the Imperial Bank will lend additional credit and popularity to the agents. It may be arranged that these deposits should bear some interest. My Board desire to urge that in the event of a run on the agent—*shroff* who receives deposits,

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the Imperial Bank should at once ascertain the real position of the agent and if it is found that his position is sound, the Bank should help him financially to tide over the storm. There need be no fear of any risk from the appointment of agents as these agents will be men of means and credit and will have a reputation to uphold. The intimate knowledge and experience about local conditions of these *shroffs* will help them to secure business and provide facilities of finance to local trade. Their overhead charges will be less, a fact which will ensure profitable working of the agency. They should be allowed to do the work of collection of *kundis* and thus also help in expansion of credit. There is every reason to believe that the *shroffs* will in this way become more serviceable. The example of the guarantee *shroff* will provide an incentive to private *shroffs* to emulate him in many ways. The latter will receive facilities of finance from the Bank's agent and they will regulate and adapt their methods so that they will also be in a position to attract deposits and do other banking business.

58. ESTABLISHMENT OF A RESERVE BANK IN INDIA.—From the foregoing paragraphs it should not be inferred that my Board are in favour of the continuance of the Imperial Bank in its present privileged position. While, therefore, the Board are conscious that this question does not come within the Province of the Provincial Banking Committee, they desire to make their position clear in this matter in order to guard against any possible misunderstanding. My Board are definitely of opinion that the need of formation of a suitable Reserve Bank for India is greater than ever. It would, therefore, be essential that the contract with the Imperial Bank which terminates in 1930 must not be renewed. Thenceforward the bank will continue as a private bank divested of the privileges conferred by Government. Instead, Government should establish a Reserve Bank of India after the model of the Australian Reserve Bank. Constitution of this State Bank should be such as to inspire confidence not only in mercantile and banking public but also the general public of this country. For this reason it would be exceedingly necessary that on its directorate the Indian Legislative Assembly should also be suitably represented. More detailed proposals are being deferred for submission to the Central Banking Committee.

59. In view of the above, my Board's observations relating to the Imperial Bank of India will in effect apply to the Reserve Bank of India. Until the establishment of such a bank the Imperial Bank may be caused to give effect to the proposals made herein.

60. My Board do not think it is practicable to have co-operative or joint stock banks in the place of indigenous bankers. The causes which have prevented the co-operative banks from meeting with the desired measure of success have not ceased to operate. These banks have a foreignness about them which is an obstacle in the way of their popularisation. Their system is not sufficiently adaptable to Indian conditions. Particularly the agricultural community cannot derive much benefit through them for they are naturally worked on lines which do not take into account the economic conditions of the masses and their extreme illiteracy. In my Board's opinion guarantee *shroffs* in conjunction with other *shroffs* should be able to meet the requirements of the situation. Only they need to be provided with more finance and other proper facilities.

61. SUPERFLUITY OF FUNDS IN THE MOFUSSIL.—As far as the information of my Board goes there is no great superfluity of funds in the *mofussil*. The big *shroffs* of the provincial capital and trade centres send large amounts of money to the *mofussil* for financing the movement of crops during the season. When the season is over these funds naturally return to the place of origin. Even if these funds are employed by the central *shroffs* through their *mofussil* branches, it is not correct to say that these funds are local funds.

SECTION III.

62. **THE EXISTING FACILITIES OF INVESTMENT.**—Although there are joint stock banks, co-operative banks, indigenous bankers, insurance companies, provident societies in the province, the practice of investment of savings is no doubt at a low ebb. To a certain extent each of these institutions is contributing its mite; but for various reasons the results are not spectacular, not even moderately satisfactory. In cities, merchants keep a certain amount of their funds in the joint stock banks. Among non-traders, educated people, Government and other servants drawing good salaries keep their savings in the banks. But the general public is untouched by them. The co-operative banks also mainly draw deposits from and give loans to educated, salaried servants and to a small extent to agriculturists also.

63. Insurance companies are beginning to do a good business, though the illiterate people seldom resort to this kind of investment. But the major portion of these funds goes to foreign insurance companies and is thus drained out of the country. Their competition is harming the Indian insurance companies. Besides owing to the big annual drain through these foreign companies the country is losing, as these moneys would otherwise be capable of being employed for helping internal trade and industry. The general effect of this circumstance is extremely detrimental to the country's interests.

64. **THE REASONS WHY PRESENT FACILITIES ARE NOT EFFECTIVE.**—The main reasons why in spite of the various institutions enumerated above most people do not invest their savings and thus neither earn interest nor release their monies for economic development of the country are as follows:—

(i) Ninety per cent. public is entirely illiterate and extremely poor.

(ii) In spite of universal and repeated demands India has not been placed on the full gold standard with gold currency. Consequently undue and increased importance is attached to metallic currency and bullion in which savings are invested. If full gold standard is established the public will have confidence that it can get gold coins at any time and in consequence will not put by bullion and release hoarded gold for coinage. The effect of this on the trade and industry of the country can be easily visualised.

(iii) There are no small or cottage industries in which the savings may be remuneratively employed. In industrial centres an increasing number of people is investing their savings and surplus funds in shares, etc. In the *mofussil* towns and villages this facility is unavailable. The deficiency can be removed by encouraging cottage and other small industries.

(iv) The joint stock banks accept large deposits. Besides the methods of the joint stock banks are too Europeanised to attract illiterate and conservative persons to themselves. The majority, therefore, cannot avail themselves of the facilities offered by these banks. The cheque books, pass books, correspondence and all are in English. Until increasing use of vernaculars is made, no great progress is possible.

(v) Indigenous bankers generally do not use cheques. If these people begin to adopt the cheque system they can considerably help in the growth of the cheque habit. My Board recommend that Government should offer every facility and encouragement necessary to induce *shroffs* to adopt this system.

In the foregoing account of the difficulties, means have been suggested for their removal, where they are not implied or self-evident.

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65. **THE CHEQUE HABIT.**—The cheque habit is slowly growing. The effect of removal of stamp duty has been very beneficial. The number of cheques used has almost doubled since the removal of stamp duty therefrom. It can be further increased as stated elsewhere by adopting the following ways :—

(i) By inducing indigenous bankers to adopt cheque system.

(ii) By using vernaculars extensively, *i.e.*, by keeping the cheque books, pass books and other forms in vernaculars. Correspondence except when dealing with non-Indians must be carried on in vernacular. Endorsements must also be allowed in vernacular. Hindi must be largely favoured. Incomplete languages or scripts may not be favoured.

(iii) Banks and bankers should carry on a vigorous propaganda in various ways educating the public in the development of the cheque habit.

66. **THE MOFUSSIL BRANCHES OF THE IMPERIAL BANK.**—This question has been partly answered in course of the replies given to other questions treated above. The result of opening of the branches of the Imperial Bank has been on balance harmful. While some credit facilities have been given in the towns where they have been opened, major part of the deposits received has been drawn to the headquarters. It cannot be said that any great advantage has been effected thereby.

Mr. RAMCHANDRA BAID SHIVAPRATAP JOSHI, Mr. BEGRAJ GUPTA and Mr. UMASHANKAR DIKSHIT, Representatives of the Marwari Chamber of Commerce, Ltd., Bombay.

Oral Evidence.

9650. *The Chairman* : Mr. Baid, you and the other two gentlemen are members of the Committee of the *Marwari* Chamber of Commerce, Ltd. ?—Yes.

9651. Is your Association confined to only marwari *shroffs* ?—No ; there are members from all communities.

9652. Is there any difference between the work done by you and by the members of the Shroff Association ?—Yes, there is a difference. Our Association consists of members who deal in wheat and linseed, and also do *hundi* business.

9653. Are you dealing in cotton ?—Our members are doing cotton business. There is a separate association.

9654. Speaking about indigenous bankers you say that they are doing every kind of business which the joint stock banks do except the use of cheques ?—Yes.

9655. Is there any reason why cheques are not used, or is there any objection to their being used ?—There is no objection to their being used.

9656. Would it not be an improvement ?—But there are difficulties at present. For instance there is the difficulty about endorsements. On *hundi* endorsements are made in *mahajani* and vernacular characters. It would be very difficult under present conditions for indigenous banks to make sure about regularity of endorsements.

9657. Have you a clearing house ?—We have a scheme which is under consideration.

9658. Does each *shroff* settle his account individually with everybody else ?—Yes.

9659. You say that some *shroffs* also do trading business ?—Yes.

9660. Does it not come in the way, sometimes, of their banking business?—The conditions have come to such a pass that banking by itself does not pay sufficiently now.

9661. Is it only of a recent development?—This trading business is getting more and more allied to banking business. In former days *shroffs* were getting ample business. An average *shroff* used to make an annual profit of Rs. 30,000 to Rs. 40,000 per year out of *hundi* business alone, but all this business has now gone.

9662. Why has it gone?—There are many circumstances. These joint stock banks have taken away most of the business.

9663. Do they do it at a cheaper rate?—Yes.

9664. That is good for trade?—But that is not good for bankers.

9665. May be. Is there any other cause why this business has diminished?—The Imperial Bank has its branches all over the country and it has reduced the rate of interest because it has to pay no interest to Government.

9666. Speaking about the Imperial Bank, you say that the *shroffs* do not get sufficient accommodation?—Yes.

9667. Do you think that if there were representatives of the *shroffs* on the directorate of the Imperial Bank, matters could be improved?—Yes; I think it may be helpful as such directors will be in intimate touch with the trade and *shroffs*.

9668. As regards your relations with co-operative banks, do you think that the indigenous bankers would co-operate with them by being amongst their directorates and finance agriculture through such co-operative banks to some extent?—I do not think that there is any harm in doing so, but they are doing their own business.

9669. Would the two interests clash?—Yes.

9670. Are *mudati hundis* rather becoming rare now?—Yes.

9671. Is the stamp duty on it a great hindrance?—Yes.

9672. Is it the main cause?—Yes.

9673. Do you not think that they are rare now because of want of confidence?—No.

9674. If the stamp duty on it is removed, will it greatly help you?—Yes; if the stamp duty is removed, it can be made negotiable. If we give money for two months on one anna stamp or on four-anna stamp, we cannot call it *hundi*. So when we stand in need of money, we cannot utilise it.

9675. Do you think that if the stamp duty on it is removed, the circulation would be again increased?—Yes.

9676. You have this *chalu khata* and *khata peta* for two months?—Yes, and even for six months.

9677. You know about the proposed legislation about *hundis* that once a *hundi* is a bearer *hundi*, it should always remain a bearer *hundi*. You can now by endorsement change it into an order *hundi*, can you not?—Yes.

9678. It is proposed that there should be legislation that a *hundi* which is a bearer *hundi* should always be a bearer *hundi*?—Our *hundis* are *shahjog hundis*. The money of these *hundis* cannot be paid to the bearer. It must be given to one who is a man of means and credit.

9679. Supposing originally it is a bearer *hundi* and it is given to somebody else. Should this somebody else have the authority to transfer it into a *shahjog hundi* by endorsement? According to the High Court's decision it can be made a *shahjog hundi*?—In our case there is one difficulty, *i.e.*, there are many intermediate endorsements on the *hundi*s. In accepting these *hundi*s we generally do not mind those intermediate endorsements. If we make a *hundi shahjog* after it is a bearer *hundi*, then we shall have to mind all the intermediate endorsements also.

9680. You would like that once a *hundi* is a bearer *hundi*, it should always remain as such, and similarly if a *hundi* which originally was a *shahjog hundi*, it should always remain as such?—Yes.

9681. You say that only the *shahs* should be allowed to cash a *shahjog hundi*?—Yes. There was a practice before, that *hundi*s should be paid only to *shahs* or *shroffs*.

9682. You say about this association that private efforts must be supplemented by State help?—Yes. What I want to say is that this association should be recognised by Government, and in case of advice a reference should be made to them just as our Chamber has been recognised by Government.

9683. Was this *khata peta* rate of 0-7-9 for transactions amongst yourselves?—Yes.

9684. Was this a fixed rate for a long time?—Yes.

9685. Does it correspond to the Bank rate?—It is something like an average rate.

9686. Does it usually rise or fall with the Bank rate?—No; it is only a temporary accommodation that *shroffs* seek and get under *khata peta*. If one needs money instantaneously for some days, one gets it from another *shroff*. So this is only a temporary accommodation.

9687. And this rate is fixed by your Association?—Yes.

9688. Does this rate correspond in any way with the rate fixed by the Bombay Shroff Association or any other Association?—It corresponds with the rate fixed by the Piecegoods Merchants' Association. There was some difference between us and them in the beginning and we came to a compromise. So we had consultations with both the Associations.

9689. *Mr. V. L. Mehta*: Is the *mudati hundi* rate determined in the same manner?—It depends upon the rate of interest prevailing at that time.

9690. Do you mean the bank rate or any other rate?—Generally the bank rate.

9691. Who fixes it from time to time?—I may tell you that the interest rate on *mudati hundi*s is an affair of mutual settlement between one individual and another.

9692. The Associations have nothing to do with that interest?—No.

9693. *The Chairman*: You say, "The indigenous banking system of India has worked efficiently and satisfactorily for centuries and has been conducive to the well-being and prosperity of the country. This system has been adapting itself to the changing conditions of modern times." Will you please develop this point? I ask you this question because some people have said that this system is very wooden and it does not change?—Firstly, there was a system when we gave money or took money, we did not pass any receipt. Now the general custom is to take receipts. Secondly, there was the system of payment even uptil midnight. Now we have changed that system and make payment uptil 6 or 6.30 p.m. On Sundays we close our offices altogether.

9694. Further you say "Owing to certain causes the indigenous banker has recently become even more handicapped than in earlier years." What are the causes you are referring to? Is it competition?—Yes.

9695. About your suggestion regarding *shroffs* being appointed as agents of the Imperial Bank, do you think that if these agents are given money to be advanced to other people, there should be some control over the rate of interest at which money should be advanced?—Yes.

9696. And the accounts not only must be inspected but must be audited?—Yes.

9697. Further you say: "These agents may be prohibited from doing any business, banking or other, with the Bank's money." Do you suggest that they should be allowed to do any business with their own money (or to something like this effect)?—I do not think that we can confine them to this business only because this business may not be profitable to them.

9698. Would not the individual interest of an agent clash with the Bank's interest?—No; he will be dealing with his own money and he will have his own clients.

9699. You speak about the present methods of marketing being rather crude. Would you, therefore, favour the establishment of regulated markets controlled by committees? You know that under the new Cotton Markets Act it is proposed to have markets under the control of a committee and there will be the representatives of various interests on the committee, and if there are any disputes as regards weight or any particulars of this kind, they will be referred to this representative committee. Would you prefer to have such regulated markets for various centres so that the agriculturists can bring their produce and store them there and when better prices prevail they can sell their produce?—We have not gone into this question.

9700. But are you dealing in cotton yourself?—Yes.

9701. You must be knowing the Bombay Regulated Cotton Markets Act?—Yes.

9702. *Mr. Chikodi*: There are regulated markets in Berar?—I belong to the Punjab and I am not conversant with the Berar system.

9703. You say: "From these markets different kinds of field produce find their way either to the ports for export to foreign countries or to the local retailers and retailers in other places to be sold for consumption in India, etc." Therefore, if there is this competition, the seller should gain at least to some extent?—These exporters keep port markets depressed by selling forward heavily at the ports while purchasing ready goods in the upcountry markets. In this way the upcountry markets are depressed and the interests of the producers are harmed.

9704. *The Chairman*: In regard to what commodities?—Wheat, linseed, cotton, groundnuts, etc. At present these exporters are buying groundnuts in upcountry centres in very large quantities and are selling forward here in Bombay. They try to reduce the price here and when prices are reduced here, the prices will have their influence in upcountry. The prices go down there.

9705. Can you suggest any remedy?—You should not allow them to buy upcountry and allow them to buy only at the ports.

9706. Everybody is free to go and buy wherever he likes?—I do not think that in any country foreigners are allowed to do as they are doing in India.

9707. *Mr. Chikodi* : How can you check this evil ? Is it not an encroachment upon the individual rights ?—Yes.

9708. Then you make a distinction between foreigners and Indians ?—Yes.

9709. Supposing pure Indian indigenous firms do so, how will you check the evil ?—If conditions come to that stage, we can also devise means to check it.

9710. What are those means, could you tell us ?—But we have not yet come to that condition. Let the trade first come in the hands of Indians and we will consider the matter then.

9711. The point is that the interests of the middleman conflict with the interests of the growers. If the growers sell directly to the exporter they are benefited to the extent that the middleman's profits are saved to them ?—The exporters also have their own agents upcountry and have to incur expenses on establishment and otherwise and so in view of the economical methods of Indian traders there is no saving to the grower.

9712. Will you agree with me when I say that a middleman's profits are not savings to agriculturists or farmers ?—Yes.

9713. *The Chairman* : Speaking about internal remittance you say that the use of *hundis* should be increased ?—They should be made use of by non-traders. If you want to send a money order for Rs. 100 the money order commission is Re. 1, but in the case of a *hundi* you will have to pay only As. 2 or As. 3.

9714. But the money order you receive at home, whereas in the case of a *hundi* you will have to go to somebody and present it ?—In upcountry places time is not so precious as it is in Bombay.

9715. You speak about keeping goods in godowns and getting finance on godown receipts. Are there such godowns in the Punjab and United Provinces ?—Yes.

9716. What class of godowns are they ?—They are called "*kothis*" and "*khattis*".

9717. Do those godowns belong to commission agents or to some *shroffs* who advance money against those receipts ?—They belong to commission agents.

9718. And the same men advance money ?—Not only the owners of the godowns but other *shroffs* and traders and also banks advance moneys against these receipts.

9719. But in whose possession are those godowns ?—They are private godowns. The godowns are underground.

9720. *Mr. Kamat* : There is one suggestion that railway receipts for goods not actually sent but kept in the yards of the railways should be also treated as negotiable ?—Yes.

9721. Would this be an acceptable proposition to the railways so far as your knowledge goes ? Do you think that they would accept this risk ?—My suggestion is that they should be asked to do so. We allow them rent and we allow them premia for insurance. Therefore they should have no objection to do so.

9722. You say : " The credit limits fixed individually for the *shroffs* in the capitals or banking centres are inadequate. It has been particularly so since the amalgamation of three Presidency Banks (Bengal, Madras and Bombay Banks of old) into the Imperial Bank. Formerly each of the Banks had the same limits individually for the *shroffs* as

are now maintained collectively by the amalgamated Bank." Is this tendency which you complain about of recent origin after the amalgamation of the three Presidency Banks into the Imperial Bank?—Yes.

9723. Will you explain what the state of things was before the amalgamation?—Formerly *shroffs* used to get better facilities from the three Presidency Banks individually.

9724. But in those days one bank probably did not know the limit of other banks?—A bank used to know then the limit of a particular *shroff* in other important banks, as it does now.

9725. In reply to the Chairman you answered that if a *shroff* was allowed to do the agency business of a bank, he should be also allowed to do his own business of commission agent. Would you at least compel the man under your scheme to keep separate books for the transactions and surplus money which he gets from the bank?—Yes.

9726. *Mr. V. L. Mehta* : You say : " Loans for long periods are also fairly common." I should like to know what you mean by " long periods " ?—We have loans for two months generally ; and we have loans for four months, six months and even at the most for a year.

9727. Not beyond a year?—No.

9728. With regard to this agency business I presume you contemplate the agent doing all kinds of business and not restricting him to only one special type of business. He will do all types of business which are possible under the Imperial Bank Act?—Yes.

9729. One of the functions of the Imperial Bank is to take deposits. You have not referred in your scheme to the acceptance of deposits by these agents. Do you contemplate that these agents should accept deposits on behalf of the Imperial Bank, or will they ordinarily accept deposits on their own account? What is it that you contemplate?—What we have stated here is that they will accept deposits on their own account.

9730. Therefore in paragraph 57 when you refer to a run on the agent, you have in view a run on the agent in respect of deposits which he takes himself?—Yes. If the Bank is satisfied after examining the agent's financial position.

9731. You say : " Indigenous bankers generally do not use cheques. If these people begin to adopt the cheque system they can considerably help in the growth of the cheque habit. My Board recommend that Government should offer every facility and encouragement necessary to induce *shroffs* to adopt this system." I do not exactly follow what facility Government can give in the matter?—We get cheques from upcountry. Some are endorsed in Urdu and some are endorsed in Hindi. When we send these cheques to Banks, they are returned on the ground of vernacular endorsements.

9732. *Professor Kale* : You say : " One fact which perhaps has some significance from the point of view of the working of the credit machinery may be pointed out. It is that *shroffs* keep their rates of discount slightly lower than those of the joint stock banks and naturally also of the Imperial Bank and the rate of interest for mutual borrowing among the *shroffs* is cheaper than for other merchants or private individuals." But I find that the *bazaar hundi* rates are always higher than the Imperial Bank rate?—The rate is As. 8 in our *bazaar* while the Imperial Bank rate is slightly higher.

9733. I am referring to the Report of the Controller of the Currency. Every year we get tables giving what the *bazaar hundi* rates are and what the bank *hundi* rates are. In the busy season it is stated that in Calcutta and in Bombay the *bazaar hundi* rate is always higher by 2 per cent. than the bank rate?—Here, at present, there are As. 8 rate, 10 annas rate and 12 annas rate. There are three rates and they depend upon the class of merchants.

9734. But this report shows that the *bazaar* rate is higher?—The Government Report may be taken from that class of merchants who are charged high rates.

9735. *The Chairman* : What is the average rate?—It is As. 8.

9736. You said that they charge As. 10?—I do not want to name the class of people who are charged As. 10. But there is a certain class of people who are paying a higher rate of interest. For courtesy's sake I will not specify.

9737. *Professor Kale* : Referring to paragraph 32 of your statement, does the fact that the exchange banks receive deposits to the extent of about fifty crores of rupees annually from their clients in India adversely affect the volume of finance in the country, and in that way the funds available to the *shroffs*?—Yes, so much money is taken away from the *shroffs*, and it is not available for financing the trade of the country.

9738. Would you have any restriction on the deposits?—In other countries if a foreigner wants to open a bank there, he has to apply to the Government of the country, and the Government places certain restrictions as regards deposits, etc., on the bank; but there are no such restrictions here.

9739. *Mr. Desai* : You have said in your scheme how to link the *mofussil shroffs* with the Imperial Bank by handing over the agency of the bank to the *shroffs*; but in your statement I do not find any suggestive scheme as to how to link the city *shroffs* with the Imperial Bank. Are you satisfied with your present lot or would you suggest any means?—There are certain ways in which we can link the *shroffs* with the Imperial Bank, and one suggestion is that in the directorate we can have Indian *shroffs*. It would be beneficial for the traders and the banks if the relations between the Imperial Bank and the *shroffs* become more and more cordial and intimate.

9740. How to make the relations more cordial?—We can do that by Indianising the management of the Imperial Bank, because then the staff in that case will know about us. There is one example. There was one Mr. Kanayalal in the Bengal Bank. He used to know all the members and there was no difficulty for the merchants. Thus if the man in the management is in touch with the people, he can guide the bank.

9741. *The Chairman* : Is it your main point that the manager should be in touch with the people?—Yes.

9742. *Mr. Desai* : What was your former experience when there were the Bombay Bank, the Bengal Bank and the Madras Bank, and what is your experience at present of the Imperial Bank?—I think at that time the facilities that the banks gave us were very great, because there was competition between these banks, and each bank wanted to have business with us; but now the competition has gone and it is a sort of monopoly.

9743. You have told the Chairman that the Imperial Bank is offering cheaper rates for *hundi* and you are not in a position to compete with the Imperial Bank. I put it to you that although the Imperial Bank has top-heavy administration charges, it is

quoting lower rates, why are you not in a position to compete with the Imperial Bank?—It has large amounts of Government money without any interest whereas we have no Government money without interest. If we can get Government money without interest, we can compete not only with the Imperial Bank but also with the Bank of England, because our ways are cheaper and economical.

9744. You have told the Chairman that the *mudati hundis* are out of use, the chief reason being the stamp duty. Is it the chief reason or is the lack of confidence the chief reason?—That is one of the reasons why the banks do not discount the *hundis*. They do not give the same facilities as they were doing before.

9745. What are the reasons that though the management of the Imperial Bank is in a position to know Indians much better than before, they are discounting less amount of *hundis*?—There are some defects with the Imperial Bank.

9746. What remedy would you suggest?—That intimacy which existed before has now gone as the management is in the foreign hands.

9747. Fifteen years before the management was under foreign hands?—But there was competition at that time.

9748. *The Chairman*: What facilities do you get from Indian joint stock banks compared with the Imperial Bank?—They give facilities according to their means. Looking at their limited means they are doing their best.

9749. In what way?—In cashing our *hundis*.

9750. Do they cash *mudati hundis*?—Yes.

9751. You say that the *mudati hundis* are not discounted by banks?—I mean the Imperial Bank.

9752. If you have facilities from joint stock banks, your *mudati hundis* should not have diminished?—They have diminished.

(The witnesses withdrew.)

The Committee then adjourned till Wednesday, the 18th December 1929.

Wednesday, December 18th, 1929.

BOMBAY.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.

Mr. P. R. CHIKODI.

Mr. H. V. DESAI.

Professor V. G. KALE.

Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

**THE NATIVE SHARE AND STOCK BROKERS' ASSOCIATION,
BOMBAY.**

MEMORANDUM.

My committee have attempted to answer only those questions which relate to the investment and stock exchange. The points touched in this memorandum will be amplified by our representatives in their oral evidence.

1. That there is a lack of banking habit among the people is a fact which cannot be disputed and it is mainly due to the hoarding habit amongst the overwhelming majority of the population. There would be no inducement to hoard gold if gold were made available by law when demanded in exchange for local currency.

2. One of the best investments for men of moderate means is post office cash certificates. It is a very popular form of investment and to increase its popularity it should be supplemented by issues for varying periods from 1 to 5 years at rates so graduated that the issue for the smaller period would bear a smaller rate of interest. The rates must be so fixed as would not compete with banks. The savings bank should be brought within easy reach of the poor and with that object in view we may suggest that they should be opened in mill areas. "The savings account", says a writer, "is the most flexible of all investments, in a proper bank it is thoroughly safe, it is perfectly simple and easy to understand, it cannot be lost or stolen, the interest accrues and is compounded automatically, it may be quickly turned into cash, it does not fluctuate in value, and considering all these advantages, it pays a good income." Use of vernaculars should be encouraged and better arrangements should be provided for speedier despatch of work. The borrowings by Government at high rates are highly injurious to trade and commerce. In order to maintain their exchange policy Government are constrained to borrow at rates at which banks find it very difficult to compete with them, and it is high time that Government should postpone for some years their large capital programme so as to enable them to borrow reduced amount till better opportunities offer for larger borrowings. Unless this is done higher rates will have to be offered with the result that the prices of the existing loans will greatly decline.

3. No facilities as a matter of fact are afforded by Government, the Imperial Bank of India and other banks for the purchase and sale of Government securities. The

banks only undertake the work of purchasing or selling securities through the exchange. A stock exchange exists in a principal town only and hence upcountry investors find it difficult to realise their securities. Banks should therefore afford facilities to these investors by paying to the needy seller pending the sale a portion of the sale proceeds which his securities would fetch. We regret to have to say that we have had several complaints from our members that some banks have been dealing in shares and Government securities through uncertified brokers, a course which in their own interest and safety they should refrain from following.

The present system of fortnightly settlements in forward dealings in Government securities hampers and restricts business and it is very desirable that Government should allow the exchange to revert to the system of monthly settlements.

Government should give to poor investors the additional facility of subscribing new loans on instalment system without fixing the minimum limits.

A well-organised stock exchange is the only institution which can afford facilities to the investors for the purchase and sale of securities, Government and others. As far as Bombay is concerned all possible facilities are afforded by the stock exchange.

4. Of late there has been a notable growth in the use of cheques. As far as the stock exchange is concerned, since the inauguration of the clearing house, transactions have to be settled by means of cheques. It is very desirable that the use of vernacular scripts should be allowed for signatures and forms of cheques.

5. India is notoriously backward in point of banking. The majority of the population being illiterate the advantages of banking and investment are not appreciated. Among the other causes responsible for the slow growth of banking and investment may be accounted (1) want of confidence, as a result of recent failures of some banks, (2) the absence of a Central Bank to which other banks may look for help in times of crisis and (3) the low ebb to which commercial morality has sunk.

We fully appreciate the advantages to be derived from investment trusts but such trusts if started under the present Companies Act would, in our view, be capable of doing more harm than good. Safeguards must be provided for the protection of small and ignorant investors and provisions to that effect must be incorporated in the Indian Companies Act.

**Messrs. K. R. P. SHROFF and A. D. SHROFF, Representatives
of the Native Share and Stock Brokers' Association, Bombay.**

Oral Evidence.

9753. *The Chairman* : Mr. K. R. P. Shroff, you are the Chairman of the Native Share and Stock Brokers' Association, and Mr. A. D. Shroff, you are a member of that Association ?—Yes.

9754. Is there only one Stock Exchange in the whole Presidency ?—For the present there is only one in the Bombay city. I think there were two at Ahmedabad, but I do not know whether there are one or two at present.

9755. Is stock exchange a voluntary association ?—It is recognised by Government under Act VIII of 1925. The Act at present applies to Bombay City, but Government has a right to extend it to other places in the Bombay Presidency. (*Mr. A. D. Shroff*) :

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There cannot be any other stock exchange unless it is recognised under this Act, because we had experience of another stock exchange applying for recognition, but it was not recognised.

9756. Can the stock exchange not do forward business, unless it is recognised?—*(Mr. K. R. P. Shroff)*: They can do cash business. There is nothing to prevent members of the public to enter into a contract for ready delivery, but no contract for forward delivery would be valid unless it has been made through a member of the recognised stock exchange.

9757. Do you think there is need for more stock exchanges?—No, I do not think so. There is not enough business, and that is why Government did not recognise another stock exchange.

9758. That was in Bombay. Do you think there is not enough business even outside Bombay?—I do not think there would be enough business. *(Mr. A. D. Shroff)*: There is no material for business.

9759. Do you not think stock exchange elsewhere would help investment?—*(Mr. K. R. P. Shroff)*: There are brokers in Ahmedabad, who do business on the Bombay Stock Exchange.

9760. Is there no stock exchange in Karachi?—No, but there are brokers there.

9761. Do you think there should be a stock exchange at Karachi?—There are no industries.

9762. You say in your note that upcountry investors find it difficult to realise their securities?—That is about Government securities, because the difficulty so far is to get the ready money. The stock exchange mostly does business, over and above Government securities, in industrial stocks, and there is no field for industrial stocks upcountry; but there are small investors holding Government paper, and they do not know any broker in Bombay, and therefore, they have to take assistance of the bank to realise their securities.

9763. Can brokers from outside become members of your Association?—Anyone can become a member. There are many brokers of Surat, Kathiawar and Porbunder, who are members of our Association, and they have their agents in different parts.

9764. In paragraph 1 of your statement you refer to hoarding habit amongst the people. Do you think that apart from investment in ornaments there is much hoarding now?—There must be some hoarding over and above investment in ornaments though it may not be as much as it was before the War. After the War the habit of investment is facilitated.

9765. For instance, in a district like Khandesh, where a good deal of gold used to be absorbed, we were recently told that very little gold is now absorbed?—It might be so in a particular district. Madras used to take a lot of gold, particularly before the War, because there are no industrial concerns in Madras. Even in Madras the stock exchange was started, but they could not work it. *(Mr. A. D. Shroff)*: One reason why gold is not so much absorbed as it was before may be the impoverishment of the people. During the War they did absorb gold to a very great extent. *(Mr. K. R. P. Shroff)*: Even in Bombay so many people keep gold bars.

9766. What is the reason for that?—Because they are afraid that gold may not be available when they want it. If gold is made available, people will not keep gold with them.

9767. Is there any difficulty in getting gold?—There is no difficulty at present, but there is no assurance that if you want gold to-morrow, you may get it.

9768. Is there dearth of gold in the market? Does it happen that a man cannot get gold?—Very often they have to pay higher prices. Sometimes they wanted sovereigns, and it was very difficult to get them. Sometimes they hoard sovereigns too. (*Mr. A. D. Shroff*): The fact that at times currency notes are sold at a discount suggests that gold is not readily available as it should be.

9769. Currency notes are convertible into rupees?—Yes, sometimes at a discount, because the people do not like that form of currency.

9770. *Professor Kale*: That happens only in times of panic?—It may be in times of panic; but generally gold is not made available, whenever it is required.

9771. *The Chairman*: As regards post office savings banks and postal cash certificates, we have been told that they are competing with joint stock banks, and adversely affect their deposits. Do you think that this statement is correct?—It may be correct to some extent.

9772. As regards savings banks, you suggest that they should be opened in mill areas. There are post office savings banks in mill areas. Do you suggest anything else?—(*Mr. K. R. P. Shroff*): Post office savings banks and even joint stock banks may open their branches to attract savings of these people, and we suggest that savings banks there should be kept open till late in the evening, so that the millhands, when they go home, can deposit or withdraw money at their convenience. (*Mr. A. D. Shroff*): There is another thing which could be done. Some joint stock banks should send out itinerant clerks to a group of mills during certain hours, say at the meal time, when the millhands are at leisure. I think that would encourage savings amongst these people.

9773. In your statement, you say that Government should postpone their capital programme. Should they stop all works of development?—(*Mr. K. R. P. Shroff*): If Government have no money, and if they cannot get any, they cannot afford to carry on the work, borrowing at higher rates.

9774. If they can raise money at a reasonable rate of interest, why should they not raise the money?—But the experience is that they cannot raise money at a reasonable rate of interest. At present the Government borrow even in the slack season up to six per cent. against treasury bills of three or six months though we can get money at four to five per cent. on our own credit. I can borrow for two or three months at five per cent. It is because the amount they require is so large that they cannot get money at a reasonable rate.

9775. Treasury bills are for short periods, and it is not for capital expenditure?—(*Mr. A. D. Shroff*): Our last year's experience is that Government could not raise money for long-term, and they raised money by floating twelve-month treasury bills. (*Mr. K. R. P. Shroff*): If Government were to raise the loan year after year at higher and higher rates of interest people will not have confidence. They did the same thing during the war. In 1926, when they floated four per cent. loan at Rs. 88, the idea was that the rate of interest would gradually decrease, which was not realised and they had to pay a higher rate next year and they had to pay still higher rate for the following year and had to do the same this year.

9776. What is the system in other countries?—They have to borrow, no doubt, these countries are not in a flourishing stage, but they have to suffer the consequences.

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That does not mean that our Government should do the same thing, if they could avoid it.

9777. In paragraph 3 of your statement, you say : " No facilities as a matter of fact are afforded by Government, the Imperial Bank of India and other banks for the purchase and sale of Government securities." I believe, when a new loan is floated; the Imperial Bank does give facilities ?—(*Mr. A. D. Shroff*) : What we mean to suggest in this paragraph is that there are no facilities for day to day purchase and sale of Government securities.

9778. You complain about some banks working through uncertified brokers. Why do they do that ? Is it because it is cheaper ?—It may be cheaper, but it prevents the stock exchange from maintaining a certain standard in business. There are certain uncertified brokers, whose only asset is a cheap paper pad and a pencil ; whereas a certified member has to maintain an office, which should be supported by banks by a certain standard of brokerage.

9779. Can any one do business of a broker at present without any qualifications ?—There is nothing to prevent him, and that is why there are so many outside brokers.

9780. Do you mean that banks should only work through certified brokers ?—(*Mr. K. R. P. Shroff*) : Yes, banks themselves get certain protection thereby, because a forward contract is not valid unless it is done through a certified broker. The bankers know that.

9781. You speak about fortnightly settlements. Will you kindly develop that argument ?—Before the War, there was only 3½ per cent. Government paper. That was the only Government security, and there was forward business in Government paper for monthly settlements, that is to say, a person could buy forward for the payment and delivery on a certain date, and usually the first or the second day of every month was fixed as the date of settlement. The business continued for the last so many years without any difficulty. When the War broke out, naturally the business automatically stopped, because people were not anxious to buy Government paper. In the beginning the rate dropped, and the business could not go on for forward delivery. For a few years, no doubt, we continued in that state. After that in the year 1925 and 1926, when the money was rather very easy, and 3½ per cent. Government paper appreciated during these two years to about 8 or 10 per cent., people began speculating outside the Stock Exchange, and the banks and others began selling to the speculators for delivery even one or two months after. As the rates were going higher and higher, buyers were tempted to come out and buy for forward delivery, and as the banks got higher rate, they naturally gave time, that is to say, the credit, and sold for forward delivery. The result was that the paper was much appreciated, and that enabled the Government to float a loan in that year at 4 per cent. at 88 ; otherwise they could not have floated the loan at such a low rate. The Stock Exchange, seeing that the business would not be controlled outside the Stock Exchange, gave instructions to its members to do forward business and brought it under its control and decided to fix the settlement. The banks used to sell for delivery any day convenient to them and to purchasers, and settlement was difficult. But if it is on one particular day, the settlement becomes easier, because the papers pass through so many hands, and the first sellers and the last buyers are brought together, and the payment is made direct to the first seller by the last purchaser. We therefore passed a resolution that there should be a monthly settlement for 3½ per cent. and 5 per cent. 1945-55 loan. At that time some of the banks, though they had themselves sold even for two months settlements, objected to the Government that

monthly settlements should not be allowed. Though the Act was passed, it was not in operation at that time, and the Financial Secretary to the Government wrote to the Stock Exchange requesting them, if they could see their way, to have a fortnightly settlement. We told them that if they were anxious to do that, we would not object, but we pointed out the difficulty that it would hamper business, because the purchaser will have to pay double brokerage. If you buy for fortnightly settlements, if is for speculation that you buy, and you must carry over or hold on for some time for taking a chance of appreciation. Every fortnight there would be a carry over, and the brokerage would be double, and, therefore, the speculators would not come out into the market to buy the paper.

9782. *Mr. Kamat*: Did not the Attlay Committee recommend monthly settlements?—There was no settlement business in Government securities at the time when the Attlay Committee was appointed, so they had not pronounced any opinion, but they recommended for share business that monthly settlement was only possible looking to the conditions of the Bombay Market. There was neither monthly settlement nor fortnightly settlement in Government securities. (*Mr. A. D. Shroff*): The year of Attlay Committee was 1923, and we passed the resolution in 1926.

9783. Does your suggestion refer only to Government securities and not to other shares?—(*Mr. K. R. P. Shroff*): We are allowed to do business for monthly settlement in shares. We desire that Government securities must be on the same lines with shares, to make the securities easily saleable.

9784. You refer to minimum limits in the next paragraph for subscription of Government loans. You say: "Government should give to poor investors the additional facility of subscribing new loans on instalment system without fixing the minimum limits." Does not the Imperial Bank give facilities?—The Imperial Bank does give facilities to the purchasers for subscribing loans on an instalment system, but they do so in case of those who want to purchase securities worth ten or twenty thousand rupees.

9785. Do they not give the same facilities for people who buy less?—They do not give the facilities for one or two thousand rupees worth of securities. (*Mr. A. D. Shroff*): It is not at least up to the amount we would like them to give. We want that some facilities should be given for even five hundred rupees. (*Mr. K. R. P. Shroff*): If the Imperial Bank cannot afford to do that, the Government themselves might give the same facility, not only with the view to get the loan subscribed but to induce the people to invest in the Government paper. If they get such facilities, they might subscribe to and buy the papers.

9786. In your statement, you give various reasons for the slow growth of banking in India, and amongst one of the causes, you point out the low ebb to which commercial morality has sunk. Is this a recent development?—It has been for the last so many years, and particularly, during the boom time.

9787. In the last paragraph of your statement, speaking about the investment trusts, you say: "Safeguards must be provided for the protection of small and ignorant investors and provisions to that effect must be incorporated in the Indian Companies Act." Can you specify any safeguard, which in your opinion is necessary?—(*Mr. A. D. Shroff*): The investment trusts, which we have in mind, are of the type of British investment trusts, about which I have stated a lot in my memorandum. But our Board seems to be of opinion that since the essence of the British investment trust

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is not properly understood in this country, unless you modify the Indian Companies Act, or make a special Act, in which you lay down the actual essentials of the investment trust, it might not be desirable to promote this type of investment trust. The fears are that some of the big capitalists may start an investment trust only with a view to take up large blocks of shares of companies started by them. That is particularly a danger, which must be avoided, if you want a successful investment trust. (*Mr. K. R. P. Shroff*) : There should be no agency system in such Trusts as it is at present with regard to other joint stock companies. Almost all the joint stock companies have got their agencies. (*Mr. A. D. Shroff*) : There is one point which we have omitted to mention, with regard to the law on forged endorsements. There are certain members of the stock exchange who specialise as dealers in Government securities and they are very seriously handicapped on account of this law. To remedy this Government should either issue bearer bonds stock certificates or amend the Negotiable Instruments Act.

9788. Is there any particular section of the Negotiable Instruments Act which you suggest to be amended?—The securities pass from hand to hand and in the course of business it is not possible to see whether all the endorsements are genuine or not. On the stock exchange jobbers on their own initiative purchase Government securities when they are sold by banks and sell them to the public when they are wanted. There is a ready market particularly in 3½ and 5 per cent. papers and the others are not so much in demand. These jobbers during the last two years purchased some of the Government papers sold by the Central Bank and the Imperial Bank. Those people had no knowledge of the law that they should refuse if the endorsements were forged. The High Court decision is that the endorsements should be genuine. For the negligence of a clerk poor people have to suffer. The jobbers do this business of their own initiative; otherwise nobody would care to buy these securities.

9789. Your suggestion is that either bearer bonds or stock certificates should be issued?—(*Mr. K. R. P. Shroff*) : It will be for the safety of the Government as well as of the investing public if they issue a bearer bond or stock certificate. There is nothing to prevent this being done. There is a form and the signature can be appended to it. Unless Government do away with the present law there will be no encouragement for people to buy Government paper. With regard to stock certificates there will be trouble about registration, but it must be insisted upon. The Stock Exchange could not do it without the interference of Government. The Committee of the Stock Exchange considered this matter but refused to enforce registration, as it would not be popular. We want Government to interfere in the matter.

9790. *Professor Kale* : Is there not the danger of the investing habit of the people being checked by the adoption of your suggestion?—If you confine yourself either to bearer bonds or stock certificate, Government paper will not be as popular as it is to-day. (*Mr. A. D. Shroff*) : Bearer bonds are more popular. Even in case of certain debentures quoted in the market those which are bearer bonds like those of the Hydro Electric are more popular. No registration is required.

9791. From the popular point of view the suggestion you make is not likely to be acceptable and is not probably likely to be desirable, as it will act as a handicap on the investing public?—It is a question of educating the people.

9792. *The Chairman* : People want to invest money and not to purchase and sell? They do not realise the defect and purchase papers with false endorsements and lose their money.

9793. *Professor Kale* : What is the percentage of such false endorsements ?—It has been on an excessive scale for the last two years.

9794. Is it so serious that certain amendment to the law is necessary ?—I do not know what you would call serious. If a man has got a capital of five lakhs and loses one lakh in a year as a result of his ill-luck to purchase papers with false endorsements, I do not know what to call it.

9795. You will have to look to the question from the point of view of the *mofussil* investors ?—Any investor by ill-luck may happen to purchase papers with forged endorsements.

9796. By ill-luck he might lose the bearer bonds also ?—A little care is sufficient. (*Mr. K. R. P. Shroff*) : The question is whether it is not desirable. It is not acceptable, no doubt. That is why the stock exchange do not enforce it. I want to draw your attention to the point whether it is desirable or not. We should consider this question from the point of view of the buyer as well as the seller. In case of bearer securities, holder suffers, if by his own negligence papers are lost. In case of endorsement securities, if holder keeps them in the hands of irresponsible persons and if papers are forged, buyer suffers for no fault of his own but for the negligence of the seller. It is, therefore, necessary to protect buyers rather than holders. In both cases there are advantages and disadvantages. At the same time I will not insist upon bearer bonds entirely, because we have had experience of it. The Improvement Trust issued bearer bonds some years ago and they were not popular with investors. So, they had to discontinue it. They are not acceptable, no doubt. For the safety of the *mofussil* investors' stock certificates may be issued and they will have to be registered. But Government should give the option either to take bearer bonds or stock certificates and discontinue endorsement papers. There will be safety for the purchaser as well as for the seller.

9797. The question is to reduce the forms and formalities an ordinary investor has to go through. That is the complaint of the public and they want to reduce such forms and formalities. In the case of Government paper you can purchase by means of an endorsement ?—In the case of stock certificate there will be no formality. There is a form printed at the back for endorsement. It is the duty of the purchaser to go to the Imperial Bank and get it registered. Then the responsibility will fall on the Government. At present, the Government tries to throw the responsibility on purchasers.

9798. With regard to paragraph 3 you say there that upcountry investors find it difficult to realise their securities. What interval lapses between a man asking the bank to sell his securities and the time he realises his money ?—Generally a week.

9799. Do you think it is a serious handicap ?—Sometimes poor people want money immediately. Suppose there is a man with a small saving of Rs. 500 which he has invested in Government security ; and he wants Rs. 50 immediately for some urgent purpose. If he does not get payment immediately, he may be induced to keep his saving in gold, because he gets the amount at once.

9800. The ordinary interval is not more than a week ?—No ; but the bank may advance money and charge interest for the period taken by sending the paper to the Bombay office and recovering money.

9801. Has the stock exchange taken any steps to educate public opinion in the matter of investment in public securities ?—The object of the stock exchange is to facilitate the negotiability of securities.

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9802. You say that certain facilities should be given. I think in the present condition of India it may be one of the duties of the stock exchange?—The real object of the stock exchange is not to express any opinion on the success or prospects of the securities. But members try to induce their clients to buy this security or that and at a time like the present brokers would not care to advise the people to go in for Government papers as such securities depreciate. I am not referring to the purchase of particular securities.

9803. Has the stock exchange done anything in that direction of showing the public the advantages of investment?—During the War we tried to get as many subscribers as we could for the Government loan.

9804. I am speaking about ordinary times?—After the War as pointed out Government unnecessarily put hindrances on the business in Government securities. We cannot advise people to invest in Government securities, unless Government stops raising fresh loans at increasing rates of interest. It is useless to invest in Government securities if they go on raising loans at higher rate of interest, as Government thereby lose credit. The president of the stock exchange differed from me and this is my personal opinion. (*Mr. A. D. Shroff*): One great facility the stock exchange has given is to put the Government paper on the forward list. We discontinued one month's settlement from 1927. I have got here some figures to show the transactions in 3½ per cent. Government paper. In 1926 it was 8½ crores; in 1927 it was 8¼ crores; in 1928 it was 2 crores and 16 lakhs. 1927 is particularly significant because Government unloaded 3 crores of Government paper taking advantage of one month forward settlement. When the people came to know who the sellers were the market fell and it has not recovered since.

9805. Is it possible to carry on a propaganda in the case of investment generally?—The wider the field for investment the better would it be for the brokers. We cannot have a particular bias in favour of Government securities.

9806. But generally in favour of investments?—I am afraid the people in the *mofussil* are not aware of the existence of this stock exchange.

9807. You say: "It is a very popular form of investment and to increase its popularity it should be supplemented by issues for varying periods from 1 to 5 years at rates so graduated that the issue for the smaller period would bear a smaller rate of interest. The rate must be so fixed as would not compete with banks." Are not banks paying 5 and 5½ per cent. interest on deposits?—(*Mr. K. R. P. Shroff*): Banks generally do not take deposits for more than 12 months. I have known of one bank only, the Bengal National Bank or so, which offers to pay 7 or 7½ per cent. for a long-term deposit. This is exceptional in the banking world. Banks never take more than 12 months credit.

9808. *Mr. Desai*: On the last page you have stated certain causes for the slow growth of banking and the low ebb of morality to which it has sunk. Will you express your views on the question why it is gone low and suggest remedial measures for the same?—The remedy is to amend the Indian Companies Act. We have been pressing Government to do so. Under the Act the promoters are able to defraud the public. The investing public do not know what they stand to lose. The confidence of the investing public is much less in the promoters than in the directors.

9809. *The Chairman*: Have you made any specific suggestions to Government?—I am the vice-president of the share-holders' association. It is suggesting amendments

from time to time to Government and the stock exchange has written to Government to appoint a committee to enquire into the amendments that are necessary.

9810. *Mr. Kamat* : About Government borrowing at higher and higher rates, I take the figures from 1924 ?—They are doing so from 1926 onwards. They have gone on increasing the rate of interest year after year since then.

9811. Do you think that Government should postpone their large capital programme and stop further development of the country ?—Those that are on hand cannot be left unfinished. But they should not buy a new railway or take up any other work which has not been started.

9812. Taking generally even the present development programme which Government have undertaken, which would be a better policy—to pay a little higher rate of interest and develop the country or stop development, because it would dislocate the money market ?—We would prefer to stop development for the present, because even at higher rates, Government is not sure to get the required amount. (*Mr. A. D. Shroff*) : If the expenditure is to bring in a comparatively smaller return Government need not pay a higher rate of interest. If, as at present, they go on raising loans at higher rate of interest, no one would invest in Government paper.

9813. That may depend upon the merit of each project. Suppose Government by means of the Sukkur Barrage scheme bring under cultivation millions of acres for wheat and cotton yielding produce worth crores, would it not be better to borrow and invest in such developments even at the risk of borrowing at a little higher rate of interest ?—Government do not raise a loan for a particular purpose only. Government may require money for other purposes for which they shall have to pay a higher rate of interest. For instance, they may want money to extend the reclamation, and it would be profitable to borrow money at higher rates. Thereafter when they raise money for other purposes not equally profitable they shall pay a higher rate of interest. (*Mr. K. R. P. Shroff*) : When Government have to pay a higher rate every year, it means additional strain on the capital market which cannot be eased without difficulty. We do not very much like that Government should come out and pay a higher rate of interest as they did in the last issue of loan. A major part of the money did not come from the usual capital market. The normal capital market cannot subscribe and Government should not put additional strain on it.

9814. About investment habit, taking the last 10 years into consideration, have you any reasons to believe from your own observations that deposits are growing in volume ? I find taking the figures of the Imperial Bank of India since 1908 the deposits have grown from 57 crores to 97 crores and in the joint stock companies from 163 crores to 212 crores. The post office cash certificates show an outstanding total of something like 33 crores since its inception ?—The habit is growing, but it is slow.

9815. This shows that it is fairly growing ?—You will have to take into consideration the increase in the population also.

9816. But deposits are steadily increasing ?—At the same time the wealth is increasing. You will have to consider this fact also that if I had Rs. 10,000 then I have now Rs. 20,000 and my wealth has grown. So, it is no increase in the number of depositors.

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9817. About your suggestion regarding the opening of savings banks in mill areas, would you go a step further and think it a practical proposition that each mill should have something like a savings bank opened there or the millowners themselves should be asked to collect something like a provident fund?—It is desirable, but it may not create confidence in the employers on the ground the people would lose it for some reason or other. I think people would have no doubt confidence in banks or post offices. •

9818. You do not favour the idea of establishing an investment trust; thereby it indirectly appears that you are lacking in confidence about even your association. Investors come to you for advice. You give your advice to the best of your knowledge. Is it impracticable to go a step further and to choose from your association a certain number of members and make them serve on the investment trust?—(*Mr. A. D. Shroff*): You will not find men to work on the investment trust in Bombay. The main idea is that most of the prominent men in Bombay are running joint stock concerns and the investment trust may be exploited for a particular end. The investment trust would not serve the purpose for which it is formed, *viz.*, the benefit of the small investor. It would be for the benefit of the capitalists to serve their own ends. That is what we are afraid of. So, we cannot recommend an investment trust, unless we know that it is based on sound principle and that the articles of association are so formed that nobody either as a director or agent will take advantage of his position. That is not possible. We as brokers cannot do what they are doing. Suppose companies are formed and debentures or stocks issued, how could we know anything about it? Ultimately it will affect the share bazar.

9819. *Mr. Buckley*: As to your suggestion regarding canvassers for savings bank deposits amongst millhands, do you think that it is feasible for millowners to open a savings bank account system in their mills and act as agents for Government?—It may be feasible.

9820. You make a point about the small investor not being able to get any money from the bank pending the sale of his security. Is this common amongst banks? If a man takes Rs. 10,000 worth of good Government security to a bank, do you mean to tell us that he cannot get anything from the bank on this security?—What I mean is that for a small investor from upcountry who is needy, when he wants it to be disposed off and gives it to the bank to send it to Bombay for realization, the bank never advances, in the meanwhile, anything to him.

9821. About the question of certified brokers, they are licensed, are they not?—Yes. By uncertified brokers we mean those who are not members of the Stock Exchange Association.

9822. Has your Association approached those banks and drawn their attention to this fact?—(*Mr. K. R. P. Shroff*): Yes. The Association drew their attention twice or thrice to the fact that their contract would be invalid if they dealt through uncertified brokers, but it pays them to do it.

9823. About the question of forward dealings in Government securities, are you in favour of a monthly forward settlement in Government securities?—Yes.

9824. Do you think that the practice of gambling in Government securities should be restricted?—There is not so much gambling in Government securities as in

joint companies shares. For the last 50 years there was never a complaint from any bank losing a single pie in the transactions of Government securities.

9825. I am not thinking of the banks losing anything?—But then there should not be any objection as long as that makes a wider market in Government securities.

9826. Would you like to include bank shares too?—No.

9827. Do you not think that the two are rather similar?—There would not be so heavy fluctuations in the Government securities being speculated upon whereas in the bank shares they will sometimes be knocked down. In the case of Government securities if you knock down by one rupee or two, there will be many people who will be coming to buy whereas in the case of bank shares if you do so, people will feel nervous to buy them.

9828. Do you think that the only means of improving the commercial morality is by incorporating some provisions in the Indian Companies Act?—Yes. (*Mr. A. D. Shroff*): I think a part of it may be attributed to the general and protracted trade depression.

9828A. Do you think that if trade improves the commercial morality will also improve?—Yes.

9829. *Mr. V. L. Mehta*: Have you any information about the extent of the business in Government securities carried on in places like Ahmedabad and Karachi?—(*Mr. K. R. P. Shroff*): We have no idea of it.

9830. Have you no sufficient information to enable you to say whether there is scope for public debt offices at these centres?—No.

9831. With regard to public debt facilities are there any further facilities that your Stock Exchange Association would ask for?—There are small things like the splitting charges, etc. Such facilities would popularize the Government securities.

9832. Do you think that vernacular scripts along with English on the body of the instruments would popularize them?—This is a new suggestion and we have not thought about it. Most of the scrips are Government of India scrips and they are current all over India. Therefore, I do not know whether this will be practicable. I think the introduction of these scripts would make the promissory notes very cumbersome.

9833. With regard to the suggestion of investment trusts and your desire to have safeguards, do you think that the safeguards provided by the Co-operative Law are sufficient or do you think that there should be some further safeguards?—We want safeguards of a different character for investment trusts.

9834. But are there not two important safeguards, viz., independent audit and proper supervision?—Business people would never agree to Government audit.

9835. You must have heard about the proposal put before the Committee here and elsewhere to start land mortgage banks and ask them to float their debentures. Do you think that this security in course of time could get popular on the Stock Exchange?—I think so provided it carries a guarantee at least for a limited period from Government just as in the case of the Provincial Co-operative Bank their debentures are guaranteed by Government. This might make the security negotiable.

9836. Do you want a Government guarantee with regard to interest or principal?—In the initial stage both the interest and capital must be guaranteed by Government because it is a new form of security on the Indian market.

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9837. *The Chairman* : But will not guarantee of interest alone suffice ?—The land mortgage bank is a new thing for India and people must get to know something about it. Therefore, in the initial stages it will be necessary for Government to guarantee both interest and principal.

9838. *Mr. Buckley* : With regard to land mortgage debentures I take it that you do not want Government to guarantee a very high rate of interest ?—No. If you issue six per cent. bonds, four per cent. may be guaranteed by Government.

(The witnesses withdrew.)

THE CHAMBER OF COMMERCE, BOMBAY.

Replies to Questionnaire.

My committee are of the opinion that the development of banking must be a growth and cannot be hurried by legislation beyond the capacity of the country and the intelligence of the people. They consider that on the whole the present system is well adapted to the peculiar needs of the country, which, owing to the low educational level of the people, is not ripe for any radical reforms. Banking as it is known in the west cannot penetrate to the smaller agriculturist except by slow degrees, and the chain of financial mechanism supplied by the *bania*, *shroff* and *zemindar*, the co-operative and joint stock banks and the Imperial Bank probably embraces all the facilities which the people are capable of utilizing at this stage. My committee are of opinion that the spearhead of banking development must be the co-operative banks and societies as an extension of branch banking by the joint stock banks or the Imperial Bank is hardly likely to be an economic proposition to-day. I am now to examine in their order the various points raised in the questionnaire on which my committee feel they can express an opinion.

SECTION I.

QUESTION 1.—In regard to the part played by the different classes of banks, merchants and dealers during the process of marketing, my committee understand that the *sowcars*, co-operative societies and landlords finance the cultivators, and banks and bankers finance the dealer, merchants and exporters.

The *sowcar* and money-lender are usually subject to much abuse, but although some of this criticism may be justified, the need of the agriculturist for loans is imperative and the money-lender is one of the sources of satisfying this need. It would be of immense advantage if the *sowcar* could be generally utilized as an integral part of the credit institutions of the country.

QUESTION 2.—This question covers a great deal of ground and it is hardly possible to submit an answer to it applicable to the whole presidency (excluding Sind) as conditions vary widely in the different districts. Much valuable information on this subject is to be obtained from the special reports published by the Indian Central Cotton Committee embodying the results of a series of enquiries into the finance and marketing of cotton which is the most important of the commercial crops in this country. No other study of marketing conditions on a similar scale has been attempted in India before. These

reports throw a flood of light on the economics of the cotton cultivator and the lines and directions in which improvements are necessary. Broadly speaking, they suggest :—

- (1) the directions in which the cultivator may be helped in the matter of finance by co-operative societies, banks and other agencies ;
- (2) the necessity for introducing uniformity in weight systems in the interest at least of the buyer, and particularly of the non-local buyer ;
- (3) the need for the checking and certification of weights and scales used in the sale of cotton ; and
- (4) the areas or places where regulated cotton markets may conveniently be established and those which are not yet ripe for their establishment.

In regard to the part played by the different classes of banks and bankers and merchants during the process of marketing, my committee understand that banks in general and particularly local banks finance raw cotton (baled), seeds, grain, etc., by lending to established merchants in Bombay who remit cash to their agents, etc., upcountry. These merchants have their own capital and also borrow money (a) on personal security, (b) against the hypothecation of raw cotton, seeds, etc. Exporters buying a good proportion of the crop make their own arrangements.

So far as my committee are aware there is no special difference, as between internal and foreign trade, in the facilities required for the financing of products during marketing.

My committee are of the opinion that the experience gathered since the abolition of stamp duty on cheques points to the likelihood that a reduction in the existing stamp duty on demand and usance internal bills (*hundis*) would encourage the use of this form of finance. They would not advocate the abolition of stamp duty because they believe a stamp, be it only $\frac{1}{4}$ anna, gives to a document a better title in the eyes of the more ignorant merchants than an unstamped bill. It must be remembered that although from a western point of view the existing rate of stamp duty may appear on the low side, the people of this country are apt to think and deal in very fine fractions when it comes to paying for an alternative form of finance to that to which they are accustomed.

For the past five years this Chamber has been pressing for the amendment of the Negotiable Instruments Act, 1881, so as to give effect to the ordinary commercial practice of treating bearer drafts, *hundis* and cheques as negotiable by delivery in all circumstances irrespective of any endorsement that may be made thereon. A Bill, which had for its object the amendment of the law on these lines, was introduced in the Legislative Assembly last September, but a motion to refer it to a Select Committee was negatived on the ground that the question would come before the Banking Enquiry Committee. My committee earnestly trust that the Bombay Banking Committee will not miss the opportunity of emphasizing the desirability of effecting this amendment at the earliest possible opportunity.

The Chamber has also repeatedly urged Government to amend the Negotiable Instruments Act so as to make it clear that the Act affords protection to bankers in India against forged or unauthorised endorsements on demand drafts drawn by one branch of a bank upon another branch of the same bank. A Bill with this object was introduced in the Legislative Assembly last session and is at present being circulated for opinion. My committee trust it will receive the support of the Bombay Banking Committee.

My committee have recently made two further suggestions for the amendment of the Negotiable Instruments Act so as to afford better protection to bankers. Section 60 of

the English Bills of Exchange Act makes it clear that the paying banker in England is protected whether a forged endorsement is that of the payee or of any subsequent endorsee, whereas it would appear that the corresponding Section 85 of the Indian Negotiable Instruments Act protects the banker only in cases where the forged endorsement is that of the payee, but not that of a subsequent endorsee. My committee suggest that the provisions of Section 60 of the English Act might be incorporated in the Indian Act. Again, my committee feel that Section 131 of the Indian Act might be improved upon in view of the undefined extent of a banker's liability for negligence. With the growth of the banking habit in India the onus of investigating the constitution of firms and the extent of authority vested in individual members of such firms is more than banks can be expected to undertake. It is suggested that the negligence clause should be qualified to "culpable" negligence or some such other protective definition.

My committee desire to reaffirm the previously expressed opinion of the Chamber that the railway receipt should be given the legal status of a negotiable instrument, thereby enlarging credit facilities. They understand that there are difficulties in connection with this proposal, but they are of the opinion that an effort should be made to find a solution.

In regard to the possibility of operating licensed warehouses, any suggestion which will enable banks to advance on the security of produce in definite possession should command sympathetic attention as being calculated to assist the agriculturist and smaller merchant beyond the range of personal security. It is questionable, however, whether licensed warehouses are at present a practical proposition owing to the diversity of crops grown in most provinces and the large capital outlay involved.

QUESTION 4.—On a previous occasion the Chamber stated that it preferred to see an extension of co-operative banking and a consolidation of that extension before any attempt was made to encourage land mortgage banks since the latter might be a source of danger unless they were most carefully controlled. My committee are inclined to the opinion that a land mortgage bank would only prove useful if it were in some measure under Government control and subject to audit by Government. A portion of the capital would probably also have to be provided by Government. This form of advance is of a very specialist nature owing to the varying conditions of land tenure in India and ordinary joint stock banks rather fight shy of this class of business because of the long lock-up of capital usually involved. It might be possible with a Government-controlled bank to arrange for interest on such advances to be collected in the form of additional land tax during the period of the advance. In matters of mortgage it would appear that the law on the Hindu joint family system requires amendment inasmuch as it provides numerous loopholes which militate against a bank advancing on mortgage of real estate.

The facility of creating an equitable mortgage by the deposit of title deeds is at present confined to a few specified towns in India and Burma. If the facility were made general, landholders might be enabled to obtain accommodation against the security of their property without the cost and trouble of executing a legal mortgage.

My committee would suggest that mortgage documents should be made much more simple. Every conveyance or mortgage should contain a brief abstract of title, the salient points of which should be detailed in plain language. At present the language used in legal documents cannot be easily understood by ordinary businessmen. Its cumbrous and artificial nature was emphasized in a recent report by the Solicitor to Government on the Land Transfer System in England and the feasibility of its application

to the Town and Island of Bombay. Briefly, the Land Transfer System substitutes registration of title for registration of deed and its adoption in Bombay would, my committee believe, go far towards simplifying mortgage transactions.

QUESTION 6 AND 6A.—My committee are strongly of the opinion that Government should assist investigation and research into methods of putting to commercial use the by-products of agriculture (*e.g.*, linseed stalks, groundnut shells, crushed cane, etc.).

QUESTION 7.—As far as my committee are aware the relations between the co-operative and other banks and the Imperial Bank are cordial. Competition is bound to arise where several banks are operating in one place and it would be contrary to the interests of the country as a whole if all competition were eliminated. Banks can well look after their own interests and as far as is known such competition as exists is healthy and beneficial to the people.

My committee are in favour of every encouragement being given for the extension of co-operative banks and co-operative societies in those districts where they are shown to be necessary. Care, however, should be taken not to force the pace in those districts where, as shown in the reports of the Indian Central Cotton Committee referred to above, credit facilities at moderate rates are already provided by other agencies.

An effort should be made to develop co-operative societies on more businesslike lines and at the same time to impart fresh life to the Movement.

QUESTION 9.—My committee have no experience of the working of the Usurious Loans Act. Last year their attention was drawn to a private Bill for limiting interest charged on loans of various kinds in British India. While the objects of the Bill must command general sympathy, the committee considered its provisions impracticable and the same probably applies to most measures of the kind.

The English Money-lenders Act, 1927, provides that a certificate is required for the grant of a money-lender's excise license and that such certificate shall not authorise a money-lender to carry on business under any name which includes the word "bank," or otherwise implies that he is carrying on banking business.

In my committee's opinion conditions here and in England are not sufficiently comparable for the provisions of the English Act to be successfully applied to India. There is a danger that restricting the rates of interest might restrict the development of banking. My committee hold that the correct method of tackling the problem of usury in this country is for Government to promote the growth of education and to encourage the Co-operative Movement and, if possible, loan societies created for the purpose of enabling the cultivator to liquidate debts running at exorbitant rates of interest. The difficulties are considerable but should not prove insuperable, for, in the opinion of those best qualified to speak, the *ryot* is on the whole an honest man and will repay his debts provided he is approached when he has money, *i.e.*, when he has harvested his crop.

SECTION II.

QUESTION 1.—The function of the indigenous banker or *shroff* in Bombay is to finance the business of the smaller merchant and shopkeeper by means of 2 m/s *hundis*. There are several associations of *shroffs*, *viz.*:—

- The Bombay Shroffs' Association,
- The Marwari Chamber of Commerce,
- The Multani Shroffs' Association.

The Chamber of Commerce.

The latter fix the *bazar* rate at which the smaller traders' *hundis* are discounted, after hearing the rate at which the Imperial Bank are prepared to discount or re-discount first class 2 m/s *hundis*. This is usually the "Imperial Bank rate." It has been noticed that when the Imperial Bank rate touched 9 per cent. there was a distinct falling off in trade between Bombay and the Malabar Coast as the small merchants felt the pinch of dear money at once.

So far as my committee's experience goes the indigenous banker function, satisfactorily in Bombay.

QUESTION 2.—By advancing money against *hundis* to traders, cotton growers shopkeepers, merchants and others, the indigenous banker assists trade in financing firstly the purchase of produce and secondly the various import trades, e.g., hardware and cloth.

QUESTION 3.—The answer to (d) of this question is very similar to that given in the first paragraph of the answer to question 7 of Section I of this questionnaire, i.e., the relations between one indigenous bank and another and between indigenous banks and other banks in the country are on the whole friendly, apart from natural business jealousy and rivalry between competing banks. It should, of course, be regarded as axiomatic that the greater the competition the greater will be the facilities offered to trade.

(e) It is considered probable that additional facilities from the Imperial Bank and other banks would quickly become available in the event of indigenous bankers being licensed.

QUESTION 4.—The forms in use are, generally speaking, satisfactory.

QUESTION 5.—My committee understand that in Bombay the indigenous banker lends money (a) repayable on demand, (b) repayable after 60 or 90 days, (c) for the busy season of 6 or 8 months on the understanding that the advance shall be subject to renewal at intervals of 2 months at the lender's option. In practice the latter invariably agrees to such renewal unless the borrower gets into difficulties. Advances are not usually granted in the form of cash credits.

Indigenous bankers provide themselves with funds—

(a) by the employment of their own capital,

(b) by the resale of *hundis* (purchased in upcountry centres) to the Imperial Bank.

The average rate of interest charged by the indigenous banker in Bombay is probably 10 per cent. and he himself borrows at an average rate of, say, 6 per cent. The rates are 2 per cent. higher during the height of the busy season and 2 per cent. lower during the slack season when the business should ordinarily be liquidated.

QUESTION 6.—In theory the earnings of the indigenous banker are large but in practice my committee are informed that they are not more than is reasonable.

QUESTION 7.—There is no prejudice of any importance against the indigenous banker or, at any rate, against the Multani *Shroff* who supplies a greatly felt want and is understood to conduct his business on sound lines.

QUESTION 8.—My committee have considered the question of the registration of indigenous bankers and the general feeling is that it is very desirable from the point of view of protecting depositors that indigenous bankers should be licensed or registered, but they find it difficult to make constructive suggestions.

With the growth of commercial education and the increase in the number of qualified accountants it should now be possible to insist on indigenous bankers drawing up an annual balance sheet in a prescribed form which should disclose (a) the names of the partners, (b) the places of business. The balance sheet should be signed by an auditor and should be produced for inspection by the Income-tax authorities.

My committee are in favour of encouraging the development of indigenous banking, but in their opinion it is still more important to see that legislation is tightened up both as regards the substance of banks and the auditing of their accounts. Indigenous banking has received a rude set-back in the last few years as the result, in some cases, of inadequate resources and unscrupulous or inefficient administration.

The failure of many indigenous banks was probably inevitable in an early stage of banking development, but whether it is wise to permit banks with a very small paid-up capital to be registered is a matter for investigation. The first essentials for a bank's proper functioning are an adequate paid-up capital and an efficient directorate and management. The building up of adequate reserves, the limitation of dividends until the banking reserves are sufficient, the publication of banks' accounts are among the points which require attention.

My committee are prepared to accept the opinion which has been expressed to them that the attitude of the indigenous banking community towards the introduction of any measures for regulating their operations or giving greater publicity to the same would be one of strong opposition.

QUESTION 10.—My committee have no suggestions to put forward regarding the precise method of linking up the indigenous banking system with the central money market, but in their opinion the last question betrays a misapprehension of commercial interest inasmuch as competition between banks can only redound to the benefit of the customer.

QUESTION 11.—My committee do not think there is a large amount of money lying idle in the districts in the hands of indigenous bankers, but there is still undoubtedly a vast amount of hoarded wealth in the hands of the people or buried in the land. The extraction of buried wealth is a gradual process. Great progress has been made in the last 25 years and more particularly since 1916. The encouragement of advances against gold and gold ornaments is one way that suggests itself of tearing out of hoards the dormant capital of the country.

SECTION III.

QUESTION 3.—The existing facilities for the purchase and sale of Government securities afforded by Government, the Imperial Bank and other banks appear reasonable.

QUESTION 4.—The cheque habit is very definitely on the increase. It received a perceptible impetus from the abolition of the stamp duty on cheques.

In regard to the classes which make use of cheques, my committee's experience is that merchants and professional men now use them pretty generally but that petty traders are still reluctant.

The multiplicity of vernacular scripts is one of the greatest obstacles to the development of banking in India. It can only be very gradually overcome by the growth of education, the spread of a knowledge of English and the standardisation of a few of the leading vernaculars.

QUESTION 5.—The growth of banking and the investment habit is bound to be very slow in India and, as in so many other lines, economic, educational, political and social, the superstructure is apt to outgrow the foundation.

One of the reasons for the slow growth of banking has been stated in the answer to the preceding question. The failure of banks from time to time has shaken public confidence and also checked progress. Hence the desirability of restricting the flotation of mushroom banks with inadequate liquid resources.

With a view to encouraging the investment of savings it has been suggested that Government loans should be obtainable at post offices in multiples of Rs. 10 and that possibly a small commission might be offered to postmasters to induce them to push the loans. The suggestion might be worth examining.

The opening of new branches of the Imperial Bank has had the effect of making finance available at cheaper rates where adequate security is available and must be beneficial to the country in the long run.

My committee's knowledge of investment trusts is somewhat limited but they understand that a wide market is essential to their successful functioning. They consider, therefore, that the growth of such institutions in this country had better be retarded until a larger investment market, not so susceptible to bear and bull raids, has been established. Careful, prudent and foreseeing directors must be found before these institutions can hope for success.

In conclusion, my committee would reiterate that it is only by the education of the rural population that banking development can make appreciable headway. That is a matter for Government and, in any case, a matter of time. On this subject it may not be out of place to quote the opinion expressed by the Chamber in reply to a reference arising out of the report of the External Capital Committee and an extract from the Chamber's letter dated 27th March 1926 is accordingly attached.

Extract from the Bombay Chamber's letter to the Government of Bombay, Finance Department, No. 1036/37, dated 27th March 1926.

“My committee agree as to the importance of increasing facilities for investment. They understand that banks, including branches of the Imperial Bank, exist today in India in only about 250 out of over 700 towns having a population of 10,000 and upwards. That is to say some 450 towns, not to speak of about 700,000 villages, are without banking facilities other than those provided by the village *bania*. Before, however, embarking on any large extension of existing facilities my committee are convinced of the necessity, referred to in the External Capital Committee's report, of consolidating the ground already won. It is of little use opening banks in fresh areas unless the inhabitants are able and willing to come forward with their deposits. Something might be done to stimulate a demand for modern banking facilities by judicious propaganda in the vernacular newspapers. The cultivator will be quick to appreciate the advantage of obtaining loans at reasonable rates and having availed himself of the bank's services in this respect he will perhaps be more ready to act on the suggestion that his surplus should be invested in the same institution. While therefore my committee recommend that suitable banking propaganda in the vernacular be circulated in a simple form in the chief agricultural centres, they realise that in a country with a percentage of over ninety of illiteracy such methods cannot go to the root of the matter. They are convinced that no solid advance can be achieved until compulsory

primary education has been introduced. My committee observe that the Hon'ble the Finance Member devoted an interesting passage of his Budget speech to the importance of developing the banking and investment habit in this country. In it he remarked that "much must depend on the spread of education of the right kind." My committee are impressed with the paramount importance of extending primary education, the goal to be aimed at being compulsory primary education for all. In the meantime they would suggest that an earnest endeavour should be made to instil notions of thrift in existing schools. In their opinion no large increase in deposits can be expected until the masses have some idea of the functions performed by bank."

Mr. E. MILLER, M.L.C., Sir LESLIE HUDSON, M.L.C., Mr. A. R. INGRAM and Mr. R. I. F. SULLIVAN, Representatives of the Chamber of Commerce, Bombay.

Oral Evidence.

9839. *The Chairman* : Is it true that a large number of your members are representatives of exporting and importing firms ?—Yes.

9840. Can you tell us as a general proposition whether the present facilities for financing the movement of crop from the village to the market and from the market to the exporting port are, on the whole, satisfactory ?—We can only say that in our opinion there are sufficient facilities in the cities.

9841. Similarly as regards the import trade, from the importing ports to the wholesale merchants for distribution in other centres, are there ample facilities of finance ?—Yes.

9842. It is suggested that the grower of produce in India does not get a full price of his produce because of the speculative buying and selling by exporting firms; and because of the control of prices by such firms and other agencies. Do you think that there is much truth in the statement ?—We should say that generally prices of commodities are ruled by world prices. We do not think that the producer is unfairly treated.

9843. You say in your statement : " My committee are of opinion that the spearhead of banking development must be the co-operative banks and societies as an extension of branch banking by the joint stock banks or the Imperial Bank is hardly likely to be an economic proposition to-day." Are you referring to co-operative banks for agricultural finance or are you also referring to societies for finance for small industries because the smaller traders and small industries in *mofussil* areas also require finance ? I was wondering whether your Chamber was acquainted with the development of urban co-operative banking in the province ?—We refer here mainly to agricultural finance.

9844. You say : " The *sowcar* and money-lender are usually subject to much abuse, but although some of this criticism may be justified, the need of the agriculturist for loans is imperative and the money-lender is one of the sources of satisfying this need. It would be of immense advantage if the *sowcar* could be generally utilised as an integral part of the credit institutions of the country." Have you any specific suggestions to make ? It has been put to us that if the State Bank or the Imperial Bank appoints some recognised *shroffs* as their agents in places where they cannot open their branches, it might be a very useful thing for the internal trade of the country. I should, like to know whether you agree with that view ?—Yes ; we agree.

9845. You say in the latter part of your Note that such *shroffs* should be licensed and regulated. Would you expect that their accounts should be published and audited? Here we have made a generalization. If a *sowcar* could satisfy the Central Bank or whichever Bank it may be, then the onus would devolve on the Central Bank. As a general rule, however, we think he should be licensed.

9846. You would not make it a condition precedent for the appointment of these *shroffs* as agents of any State Bank or the Imperial Bank, that their accounts should be audited and so on, would you?—No.

9847. You say: "So far as my committee are aware there is no special difference, as between internal and foreign trade, in the facilities required for the financing of products during marketing." We have been told by certain witnesses that so far as joint stock banks are concerned, they mainly finance foreign trade and do not give the same facilities to the internal trade which is mainly financed by indigenous bankers. Do you agree with this view?—We do not know how far indigenous bankers are financing the internal trade. Unless we have the facts and figures before us, we cannot agree with this view.

9848. Their contention is that wherever branches of joint stock banks exist in districts, they mainly finance the produce which is exported?—We are not aware of this. We think it is only a question of security. If the crop is in the field very few joint stock banks would advance against it.

9849. Coming to your suggestion about the amendment of the Negotiable Instruments Act, your point is that a bearer cheque should always remain a bearer cheque, is that not so?—Yes, it is so.

9850. But an objection is raised by the indigenous bankers that it is customary for them to endorse such bearer cheques and make them payable to order, and if this legislation is passed, the *hundi* as it stands at present might disappear. Also they say that the holder of a *hundi* should not be deprived of his elementary right to protect himself by making the *hundi* payable to him?—There is the difficulty about the script. Banks should not be expected to verify endorsements written in many different vernaculars.

9851. About the Negotiable Instruments Act you say in your second suggestion: "The Chamber has also urged Government to amend the Negotiable Instruments Act so as to make it clear that the Act affords protection to bankers in India against forged or unauthorized endorsements on demand drafts drawn by one branch of a bank upon another branch of the same bank." But is it not the bank's business to take care and examine the endorsements?—Yes; the bank is liable for the forged endorsements on drafts and not on cheques.

9852. Your second suggestion now is to protect the bank?—Yes. The purpose of the proposed amendment is to render a bank draft as freely negotiable as a cheque.

9853. Referring to railway receipts, do you think that the railway receipt is generally a satisfactory document? So far as we understand, the railway authorities do not take any responsibility as regards the correctness of the entries therein. Would it be safe in your opinion to make it a negotiable document if all these things were satisfied under the Negotiable Instruments Act?—There is danger in various other matters, but we do not think that there is really any serious danger in making a railway receipt a negotiable instrument. It will enlarge credit facilities. We do not think that there is any grave danger to its being a negotiable instrument within the country. In support of this statement, we shall read to you the recommendation made by us in reply to

a reference arising out of the Report of the External Capital Committee "The Committee (of the Chamber) pointed out that the financing of the produce of agriculture and industries by negotiable instruments was purely a question of credit. They suggested that if a railway receipt were made a negotiable instrument the produce of agriculture and industries could be financed to a far greater extent than was the case to-day. A few years ago, Bengal cotton was tenderable in Bombay by railway receipt and the railway receipt was in all but name a negotiable instrument. Even to-day in most classes of produce, advances were made against railway receipts. If they were made negotiable instruments by law, further credit would certainly be given".

9854. In your statement, speaking about the land mortgage banks, you say that the Chamber would prefer to see an extension of co-operative banking and a consolidation of that extension before any attempt was made to encourage land mortgage banks, since the latter might be a source of danger unless they were most carefully controlled. But the difficulty is that the agriculturist is heavily indebted, and until he is relieved from his debt, his condition cannot improve. He often does not get much profit out of his profession, *viz.*, agriculture, his holdings being very small, and he stands in need of capital for improving his land. Co-operative banks finance him only for his current needs and cannot redeem him from debts. These being the facts, would you not agree that the formation of land mortgage banks, of course properly constituted, is a necessity in the present circumstances, and that it is not necessary to wait until co-operative banking extends much more than it has done at present?—We do not think there is any objection to land mortgage banks being established, but the question must be considered very carefully, and it should be done cautiously.

9855. Land mortgage banks raise money by way of debentures for which the security is the mortgage of land. It has been suggested to us that if the interest on these debentures were guaranteed by Government, they could be floated in the money market. Do you think that would be a feasible scheme?—If they are guaranteed by Government, it would certainly have its effect.

9856. In your statement, you say that if the indigenous bankers are licensed, they might get additional facilities from the Imperial Bank and other banks. What kind of facilities do you mean?—They might get loans at a cheaper rate.

9857. In your statement, you say: "The last question betrays a misapprehension of commercial interests inasmuch as competition between banks can only redound to the benefit of the customer." Here the reference was to competition of banks placed in a privileged position with other banks. For instance, it has been stated that the Imperial Bank with the privileges that it has from Government competes even with branches of joint stock banks in several places, and also with indigenous bankers, and that while such competition between equals would be alright, the competition between a privileged person and others would not be desirable. That is the contention of some people. If the proposed Central Reserve Bank is started, and if a branch of the Central Reserve Bank or a branch of the Imperial Bank is established in order to finance indigenous bankers, and if that branch does the same work as indigenous bankers do, the competition would not be fair. That is the contention?—We think there is some competition of the Imperial Bank with the indigenous banks, but we do not think we are competent to answer that question. We do not think the competition is so great as other banks try to make out. It is not unfair competition.

The Chamber of Commerce.

9858. You say: "The multiplicity of vernacular scripts is one of the greatest obstacles to the development of banking in India." Do you think there would be any great difficulty in the use of vernacular scripts for cheques particular vernaculars such as Gujarati, Marathi, in the districts?—We do not think there would be very great difficulty. But the great difficulty is that banking institutions have not developed in this country, and have not the enormous staff, that will be required if you allow different vernacular scripts. The growth of education and the spread of a knowledge of English would remedy the situation.

9859. *Mr. Kamat*: You say that it is a question whether licensed warehouses are at present a practical proposition. On the other hand, we have been told that the licensed warehouses would be of great facility to the borrower to get advances by placing goods in the warehouses. Is the diversity of crops, say for instance cotton, so great as to rule out entirely the idea of having warehouses in the near future?—We think it would take a long time.

9860. Would it be an advantage to the railways to have such warehouses as they have in Assam to keep goods in godowns not for immediate transport?—The railways do not provide storage generally except for goods in transit.

9861. In your statement, you say that there is a danger that restricting the rates of interest might restrict the development of banking. You chiefly base your argument on the fact that conditions about money-lending here and in England are different. On the other hand, we must recognise that the rate of interest in this country charged by the village money-lenders sometimes goes up to 24 or even 36 per cent. and we find it stated that some restriction is necessary, whereas you say that such a restriction might stop the development of banking. Will you please explain what fears you have in mind? Those who propose restrictions do not propose drastic restrictions?—So long as drastic restrictions are not there, we would have no objection. We think that drastic restriction would retard the development of banking, because the class of security offered is not sufficiently good to allow bankers to advance money at cheap rates and the people, who charge 20 per cent. or more against loans, do so because they lend on personal knowledge of the reputation of the borrower and knowing his family, and they do not take any lienable security.

9862. About the methods of buying produce in upcountry markets, we have been told that the upcountry agents of exporting prices depress the markets artificially as they are in a position to know the world prices. Is that correct?—We think that they buy on commercial lines and not merely when the market is depressed. The upcountry agents do not actually depress it. We do not think there is anything unfair about that.

9863. *Mr. Buckley*: You suggest that a small charge, say $\frac{1}{4}$ anna, should remain as stamp duty on bills. We had some evidence to the effect that it is not at all necessary and that stamp duty should be abolished. Are you very strong on that point?—We think some small charge as stamp duty will result in such document having greater value in the eyes of the public, but we do not attach great importance to this.

9864. About your suggestion regarding licensed warehouses, is it your opinion that any such departure should be done in a very cautious manner?—Yes.

9865. Could your Chamber suggest how the capital should be raised for these warehouses, whether it should be a Government matter or should it be done by private individuals?—We have no suggestion. The suggestion should come from the actual

people who are interested, from the people upcountry, who have suggested to you that warehouses should be erected. We do not think the Chamber can make any suggestion.

9866. In your statement, you make a reference that the failure of many indigenous banks was probably inevitable in the early stage of banking development. Bearing this in mind, would you be in favour of making it incumbent on private joint stock banks opening savings bank accounts separating the savings banks accounts from general banking? It is done in Australia. In New South Wales there is a savings bank under Government control, Government guaranteeing the deposits. Would you favour it here?—We do not think that we are in a position to suggest it.

9867. Government have been accused of borrowing irrespective of the condition of the money market and we have had it suggested to us that they should cut down their capital programme only to what they got on hand. Has the Chamber got any views to express?—Your question has no relation to the questionnaire submitted to our Chamber.

9868. *Mr. V. L. Mehta*: When you refer to the failure of indigenous banks, have you in view the modern type of joint stock banks or indigenous bankers?—Private banks.

9869. *Professor Kale*: You distinguish in particular the Multani *shroff*. Is it because that you are better acquainted with them or have they any special characteristic about them?—We believe it is so stated. Because those framing the reply were mostly acquainted with the Multani *shroff*.

9870. On the same page you go on to say that the indigenous bankers should publish a balance sheet signed by an auditor and should produce their books for inspection by Income-tax authorities. Why do you introduce the Income-tax authorities? They have nothing to do with banking?—There would then be a double check.

9871. Income-tax authorities have nothing to do with banking?—They are entitled to demand the production of books for inspection.

9872. My point is that Income-tax officers are not expected to disclose the bankers' private transactions. How then will this be a check?—It is a simple generalisation.

9873. *The Chairman*: Is it a fact that the Income-tax authorities accept the balance sheet of the bank certified by an auditor?—That I do not know.

9874. As a matter of practice officers of the Income-tax Department are satisfied with the balance sheets certified by auditors and do not examine books?—That may be so.

9875. *Professor Kale*: In your statement, you say: "The encouragement of advances against gold and gold ornaments is one way that suggests itself of tearing out of hoards the dormant capital of the country." This is the general practice with the indigenous bankers at present. Do you refer to any particular bank or banks in general?—Generally.

9876. *Mr. Chikodi*: In the beginning you state: "My committee are of opinion that the spearhead of banking development must be the co-operative banks and societies as an extension of branch banking by the joint stock banks or the Imperial Bank is hardly likely to be an economic proposition." I want to know how they are an uneconomic proposition?—The Imperial Bank has opened

branches in progressive towns. It costs a good deal to open a branch in view of the cost of establishment. In the hope of getting trade they have opened branches. We consider that the co-operative system is a more economic way of further extending banking system than the opening of the branches of the Imperial Bank or other joint stock companies.

9877. In your letter to the Government of Bombay to which reference has been made in one of your replies, you state that because 90 per cent. of the population are illiterate, and unless primary compulsory education is introduced, no substantial advances can be made in banking, among farmers. May I take it as the view of your chamber that unless compulsory education is introduced there is no hope of further advance being made in banking?—That is not the right conclusion to draw. You should look to the following paragraph :

“ In conclusion my committee would reiterate that it is only by the education of the rural population that banking development can make appreciable headway. That is a matter for Government and, in any case, a matter of time. ”

(The witnesses withdrew.)

The Committee then adjourned till 11 a.m. on Thursday, the 19th December 1929.

Thursday, December 19th, 1929.

BOMBAY.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.

Mr. P. R. CHIKODI.

Mr. H. V. DESAI.

Professor V. G. KALE.

Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

THE BOMBAY SHAREHOLDERS' ASSOCIATION.

SECTION III.

QUESTION 1.—(b) The means or institutions in existence for encouraging savings and investment habits are as follows :—

- (a) Joint stock banks.
- (b) Joint stock companies.
- (c) *Shroffs*.
- (d) Other business houses.
- (e) Post office savings banks.
- (f) Co-operative societies.
- (g) Insurance companies.
- (h) Provident societies.

(c) The influence of co-operative societies has been good but of banks has been negligible outside large towns for want of sufficient number of branch offices of our banks. Life insurance companies have also exercised a healthy influence in this respect.

(d) Though the savings of the Indian public outside business centres are very small compared to other countries, the existing facilities fall short of even this smaller demand.

(e) Yes, the existing facilities can be considerably improved by encouraging the spread of branch offices of joint stock and other banks in business centres and other bigger towns where they do not exist at present. In villages as well as outlying places in the *mofussil* facilities should be provided for purchase and sale of Government securities on easy terms and any arrangement made in this direction should enable such deals being effected expeditiously, *i.e.*, without undue delay. Papers of small denomination should be made available for purchase or sale here through agencies such as post office savings banks, etc. Again in order to popularise investments still further among small investors payments of the purchase price by convenient instalments in case of Government papers should be allowed, the actual security paper being handed to the purchaser only after the full purchase price has been paid up.

(f) Certain sections of the community no doubt object to earn interest under the denomination of "interest". Their objections can be met by a declaration that the

The Bombay Shareholders' Association.

return on investment is not to be by way of "interest" but that the said return will be paid by way of guaranteed dividends out of profits, or income earned. This can appropriately be done in case of funds raised for the economic development of the country such as for building railways, expansion of irrigation, etc.

(g) It is hoped that this question which refers to the habit of the Indian people to invest in gold, silver and land does not assume that there is a general habit among the people of India to invest in silver and gold; such a custom wherever it prevails is not due to any innate desire to hoard but subsists because of other causes. India is a poor country where the capacity of the population to acquire surplus funds for investment is limited. Silver and gold are purchased by a section of its people not with a desire to hoard but with a view to ensure safety. Seventy to eighty per cent. of the Indian population consists of agriculturists who form what are known as the lower classes, among whom polygamy and easy divorce are common. A Hindu or Mohammedan wife belonging to these classes is anxious to possess ornaments of which she could make use in times of necessity, say, where for some reason or other the husband discards her and brings another wife or dies leaving her unprovided in which case her only *stridhan* is her ornaments on which she can look for support. Thus general poverty, social customs and illiteracy among these classes are the three principal causes which prevent the rapid spread of banking and investment habits. The first of these three impediments can be removed by stimulating India's industrial progress by all possible means. The low standard of national income in India can only be raised through industrial expansion thereby considerably increasing the balance of surplus funds in the hands of her population. The second and third causes, *viz.*, the social customs and illiteracy, can be remedied through the spread of education. We are frequently told that within the past ten years India imported 38 crores worth of gold and silver yearly on an average. This argument at the first glance strikes one as rather powerful. In order, however, to appreciate the real significance of the figures one has only to realise that on the footing of the enormous population of India the figures work out on an average of somewhere near Rs. 1-4-0 per head. It may also be pointed out that the desire to wear some kind of ornaments is not peculiar to India; Europe and America invest huge sums of money in ornaments for their womenfolk.

QUESTION 3.—(a) Facilities more or less on lines similar to the conversion of 3 per cent. Government loans should be extended to all kinds of Government paper and a scheme should be prepared for the purpose declaring the basis on which Government is prepared to permit such conversions. Besides this, arrangements should be made to pay interest on Government securities at all the post offices. We submit that Government loans and bonds should carry interest coupons and talons attached to them, as in case of bearer and other bonds on the Continent of Europe and the United States of America. This will obviate the hardship felt at present by all investors, small as well as large, through the waste of time and trouble involved in (1) lodging the securities with the Public Debt Office for the interest warrant, (2) getting the interest warrant cashed, (3) the obstruction, delay, hardship as well as expense of having to present these securities for interest to the Public Debt Office through a bank or broker, in cases where investors happen to reside at long distances from the centre where a Public Debt Office is located. We feel sure that the aforesaid facilities when introduced will make Government securities very popular among small investors on the country side and in villages.

(b) Banks, commercial houses and brokers are the financial agencies which afford facilities for purchase and sale of securities other than Government securities.

(c) and (d) The surplus cash of people who make profits on sale of produce is generally invested with *shroffs*, but this margin, though never large, has been much reduced through the present currency and exchange policy of the Government of India.

QUESTION 4.—The cheque habit in towns has considerably grown, and though the effect of abolition of stamp duty on cheques cannot be fully gauged at present due to the short period which has elapsed since the said abolition, the general impression is that the same has a strong tendency towards stimulating the cheque habit. Almost all classes of traders who can read and write English have of late taken to the cheque habit and even vernacular cheques are freely used when permitted by some banks. In our opinion if some legislative arrangement can be made by which banks were compelled to accept cheques in the leading vernaculars of the country, on the same footing as cheques in European languages, the cheque habit is sure to spread among a much wider area. On the same principle the use of vernacular paying-in slips, pass books and other allied documents should be introduced.

QUESTION 5.—This Association is of the opinion that banking and investment habit in India is of slow growth because the margin of savings between the national income and cost of living is negligible. It may, however, be pointed out that there is a certain amount of lack of confidence in the management and supervision of joint stock banks. There are glaring defects in the Indian Companies Act which requires amendment especially in the following respects :—

(a) Publicity of accounts.

(b) Appointments and powers of directors and effective control of shareholders over them.

(c) Responsibility of auditors and the sufficiency of their certificates.

(d) Speculation by managers and directors in shares of their companies.

Abuses are frequent for which the secrecy or want of publicity of details in accounts is at least partly responsible. In many cases balance sheets convey quite an inadequate information, thereby misleading the investing public. Particulars of floating assets of joint stock banks and the nature of their liabilities should be clearly specified in detail. Internal reserves, provisions for bad and doubtful debts and other reserves should be separately shown. The auditors should be required to certify that there are no concealed or secret reserves and that the assets have not been undervalued or overvalued. They should also certify that sufficient provision for bad and doubtful debts has been made to their satisfaction. There should also be a statutory provision for publication of profit and loss account and a statutory form should be provided for that purpose. Every bank should be obliged to issue a six monthly balance sheet. The remuneration of the managing director (if any) should be clearly specified and should be disclosed in the report issued to the shareholders. Form "F" in the Indian Companies Act should be considerably amended so as to make the mode of valuation of investments applicable to all forms of investments including investments in landed property made by a bank. The shares, debentures, securities and other investments of a bank should be shown at cost or market value whichever is lower. The auditors should be made to call the attention of the shareholders to any matters of importance which it would be in the interests of shareholders to know, and to elucidate in their report any item in the published balance sheet which might, in their opinion, mislead a shareholder as to the true position of the bank's affairs. In particular, it should be made illegal for the bank's directors to solicit proxies or to vote as regards the appointment or remuneration of auditors who should be

given a statutory right to attend and speak at all general meetings of the bank. When a bank possesses a controlling interest in another company, particulars relating to the position of the company should be circulated with its own balance sheet. The appointment of the managing director, if any, shall not be for more than five years and shall be renewable by the shareholders in general meeting only. All other directors of the bank shall be liable to retirement every year.

Principal SOHRAB R. DAVAR, Barrister-at-law, Mr. JAMNADAS MORARJI and Mr. JAGMOHANDAS KAPADIA, Representatives of the Bombay Shareholders' Association, Bombay.

Oral Evidence.

9878. *The Chairman* : Mr. Davar, you are a member of the Managing Committee of the Association ?—Yes.

9879. What is the principal object of your Association ?—The principal object of this Association is to safeguard the interests of the shareholders as a class as also of the investing public.

9880. Is it one of your objects to encourage investment in shares ?—Yes ; to safeguard the interests of shareholders and also to encourage industries which are worked on a joint stock basis. We want to see that the management of such concerns is properly conducted.

9881. Before I ask you any questions I should like to say that you have made some very interesting suggestions with regard to the amendment of the Indian Companies Act, but as these are not within the purview of our inquiry, we shall make a note of them and forward them to the Central Committee.

You suggest the opening of branch offices of banks in *mofussil* areas. The question is whether it would be economical to open branches outside big towns ?—We put it this way : In places where the Imperial Bank has not opened branches, if other joint stock banks desire to open branches they may be encouraged to do so, because when once the Imperial Bank opens a branch it becomes difficult for other joint stock banks to open branches in those places, for obvious reasons. That is one point. The other point is : where the Imperial Bank of India or other joint stock banks find it impossible to open branches we would very much like to see that the Imperial Bank appoints some of the *shroffs*, of course after taking proper guarantee and security, in those places to carry on business as their local agents.

9882. Are you in touch with the working of co-operative urban banks ?—We, as members of the shareholders' association, are not in touch with their working.

9883. You say that in villages and outlying places facilities should be provided for the sale and purchase of Government securities. Is there any such demand in those places ?—We look at this problem from this point of view. In villages people who make a saving can be classified under two heads. One class of such men gives loans at a higher rate of interest with some risk involved in it. The other class requires absolutely safe investment. In that case if you want to prevent them from investing in gold and silver bars, you must encourage them to purchase small pieces of Government loans and make them available to them.

9884. How will the man be able to get it ?—He must be encouraged to buy a scrip of a denomination of Rs. 100 and pay for it in instalments of Rs. 10 each. When all the

ten instalments are collected from him the scrip should be handed over to him. The other difficulty will be with regard to the collection of interest. If Government make the interest payable at the local post office, then you will be encouraging him to invest in Government loans and will be doing something more, namely, encouraging him to save, as Government securities are a better form of investment to him compared to gold and silver bars.

There is another point with regard to the collection of interest. The collection of interest should be made easy all over, as they have done with regard to continental loans by means of coupons. As soon as the person presents the coupon at the post office he is paid the interest. After the coupons are exhausted the paper may be changed for another. In this way there will be greater facility. Even in big towns, where there are big investors, they hesitate to invest in Government loans, because there are no public debt offices. They have to give their securities to the local bankers or *shroffs* or brokers and get warrants through them and sign them and then send them. In this way it becomes very cumbrous and at times very inconvenient particularly for the illiterate investors.

9885. Would you favour Government securities of smaller denominations?—We think that it would be very good.

9886. With regard to question 1 (f) you say: "Certain sections of the community no doubt object to earn interest under the denomination of 'interest.'" You suggest that the return on investment is not to be by way of interest but that the said return should be paid by way of guaranteed dividend?—We have got a large body of Mahomedan investors. Owing to religious objections they would not take investments on an interest basis. Our information is that they do not go in for Government loans. The object of raising moneys by public loans is in many cases to make them available for various Government developments like irrigation and so on. At present Government often go outside India for a loan for those objects. In order to attract this capital, when Government start big works of development and want money they can attract this capital by issuing these loans as so many redeemable preference shares and guarantee the dividend on it which is to be paid out of profits of their enterprises. It is after all a change of nomenclature. Call it partnership scrips or shares and this objection can be easily got over and the money made available for such development works.

9887. With regard to question 3 (a) you say: "Facilities more or less on lines similar to the conversion of 3 per cent. Government loans should be extended to all kinds of Government paper" Will you please develop that idea?—(Mr. Jamnadas): There are so many kinds of securities like 3½ per cent. loan and 5 per cent. tax free loan (1945-50) and so on. At present those who have got 3 per cent. loan can convert it into 3½ per cent. at the rate of 6/7 at present. In the case of other securities sometimes there are no buyers. In such a case Government can by a mathematical calculation fix a permanent ratio—(just as they did with regard to the 4 per cent. loan of 1894 which was afterwards reduced to 3½ per cent.)—the basis should at least be 4½ per cent., because it does not seem to me that within the next 15 years the interest will go below 4½ per cent.—and issue a standard paper; all the other existing securities may be converted into that denomination. My point is that there should be a standard paper all over India easily bought and sold within small differences.

9888. That is, you do not want a paper which cannot be converted easily?—It depends upon the Government borrowings and the circumstances. The Finance Member

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may think that a short-term loan would be much better. It depends upon the circumstances of borrowing. If there is a standard of borrowing, any term loan can be easily converted into another security. There may be a demand from Calcutta in Bombay and from Bombay in Calcutta. It will be much better if investors can then sell or buy them easily. As regards coupons, that is the system adopted for all debentures. All over the continent they have abolished the old system of producing the original certificate for getting interest. (*Mr. Jagmohandas*): This particular suggestion has been made in order to avoid any confusion in the mind of the investing public with regard to the different denominations of Government securities which are in vogue at present. It is the plain duty of Government, with a view to avoid confusion, to see that the different denominations are reduced to a minimum. If Government can devise some means by which all or some of the different denominations can be converted into a standard one, it would be for the benefit of both the Government of India and the investing public. This is the particular idea that underlies the suggestion made.

9889. As regards small investors do you think that the present facilities to purchase through post office is sufficient?—(*Mr. Davar*): Yes.

9890. Even Government securities?—If facility is given to a man to purchase a scrip for Rs. 100 and pay in instalments of Rs. 10 a month, it will bring in more money to Government.

9891. From a purely administrative point of view, would it be better? Suppose a man pays some instalments and then defaults?—In that case Government have got the money. The man can sell the scrip to somebody else.

9892. That is the system followed by some banks?—Yes.

9893. Do you favour the introduction of vernacular for cheques?—It makes a tremendous difference. I do not think it needs any argument.

9894. We were told yesterday by some witnesses that banks may find it difficult to decipher?—If Japanese character can be deciphered, I do not know what to say. We do not want all the vernaculars. The principal vernacular of the district we want. In Bombay for example we want Gujarati and Marathi.

9895. Also Kanarese and Sindhi?—Sindhi in Sind.

9896. *Professor Kale*: You have made certain suggestions for the amendment of the Companies Act with a view to safeguard the interests of the investors and shareholders. Would you approve of the idea that the auditors should be made independent of the managing agents?—Yes; if some scheme could be devised. At present the auditor is supposed to be appointed by the shareholders. But in practice the auditors are appointed by the managing directors or the managing agents. I do not mean any disrespect to them. After all they are human beings. They are liable to be removed or appointed by the directors or the managing agents. That is the unfortunate position.

9897. What is your concrete suggestion? Should Government appoint independent auditors and make it a rule that those particular auditors will have nothing to do with the managing agents and that they should certify the correctness of the balance sheet?—From a theoretical standpoint it might answer the difficulty. But I do not know whether shareholders as a class would prefer official interference without their own moving in the matter. Suppose the shareholders appoint auditors, it should

be made easy for them to inspect the books. At present most of the shareholders receive no reply to any information they require. As a safeguard it should be provided that it would be illegal for the managing agents and directors to solicit proxies with regard to the appointment and removal of the auditors.

9898. The idea is, if the managing agents solicit proxies, this greatest weapon in their hands is not broken?—(*Mr. Jagmohandas*): You will generally find at a meeting that shareholders are in a minority because the managing agents have secured proxies previously. Resolutions are passed one way or the other because somehow or other proxies have been obtained by the management.

9899. You are proposing this safeguard under the present existing conditions?—Yes. This safeguard has been suggested in a well-known book called “*Britain’s Industrial Future*” which reads as follows: “In particular, it should be made illegal for directors to solicit proxies or to vote as regards the appointment or removal of auditors who should be given a statutory right to attend and speak at all general meetings of the company.” (*Mr. Davar*): This point has been considered by a committee of experts in England and the suggestion they have given seems to us workable.

9900. With regard to your suggestion about conversions of Government papers, would the basis of conversion vary from time to time or would it be fixed once for all?—(*Mr. Jamnadas*): In the case of short-dated papers it will be always very difficult to fix the basis of conversion, but in the case of long-dated papers it can be easily fixed. My suggestion is that India’s borrowing should be on the $4\frac{1}{2}$ per cent. basis and this should be counted as a standard basis. Other securities should be converted on this basis.

9901. Will the basis of conversion be fixed once for all or will it vary from year to year?—In the case of short-dated papers, it will vary from year to year and in the case of long-dated papers there will be no substantial variation.

9902. When you suggest $4\frac{1}{2}$ per cent. as the basis of conversion it seems to me that is rather going into the realms of prophecy?—It depends upon the circumstances. (*Mr. Jagmohandas*): There cannot be any cut and dry scheme. Government certainly will have to pay regard to the wants of the country and then they may from time to time change their own scheme and, if the people find that the scheme put forward by Government is not a beneficial scheme, it can be varied.

9903. Your idea is that it will have to be changed from time to time?—Yes. (*Mr. Davar*): As Mr. Jamnadas said just now, I repeat that for long-dated papers there will not be any variation.

9904. *Mr. Buckley*: Is it your intention that this basic rate should be printed on the document?—(*Mr. Jamnadas*): It must be notified in the *Gazette*.

9905. *Professor Kale*: With regard to the suggestion which we have already discussed, namely, that facility should be given for purchase and sale of Government securities in villages, do you not think that there is a risk of investors losing some part of the capital?—(*Mr. Davar*): How?

9906. Supposing a man buys $3\frac{1}{2}$ per cent. paper at Rs. 75 and at the moment he wants to realize its sale proceeds, he will not be able to get the full sum because the market value will vary?—The risk of losing capital here is quite insignificant compared to losing his capital with a *sowcar* or a *shroff*. There are two groups of investors: One group of investors are persons who are prepared to risk and the other group of investors are persons who are not prepared to do so. (*Mr. Jagmohandas*): This is the only way in which you

can create a market even amongst small investors. Once the market is created, the difficulties will be removed. (*Mr. Davar*): The encouragement of savings is also another point to be considered.

9907. You are aware that these Government securities can be purchased through the post offices even now, not in instalment system. Are they purchaseable at every post office in villages?—I am afraid not.

9908. They are purchaseable in those post offices where there are savings banks. A man who has a savings bank account can purchase these securities, and not only that, but those securities are kept in the custody of the post office and interest is added to the amount. You will see, therefore, that all the labour and trouble is saved to the investor? Are there those facilities almost everywhere?—I do not know how far the post offices are divided and whether they are also doing this savings bank business.

9909. There are certain head and branch post offices many of which are doing savings bank business?—Yes.

9910. *Mr. Kamat*: Under *Mr. Jamnadas's* scheme of converting bonds of one denomination of a particular year into others on a certain basis, probably if Government have a loan programme and a time-scale, say 1939-44 loan to be liquidated at such and such a date, would not his scheme upset the Government programme?—No; if the loan is due in 1939-44, people will calculate that in ten years they will get their money. It will be calculated on this basis. (*Mr. Jamnadas*): My idea is that all the long-term loans, say 1955-60 and 1960-70 and other loans, should be converted on a basis of 4½ or 5 per cent. whichever will be suitable to Government; and in the long run when all this exchange problem and other problems are settled and everything will adjust itself, then I think there will be some basis of borrowing according to world conditions, i.e., New York borrowing, England borrowing, Continental borrowing and our Indian borrowing.

9911. This argument applies to basis?—On calculating this basis Government can float a standard loan just like in Britain and it will facilitate investors.

9912. What you have to show is that by this method of conversion you do not embarrass Government in their programme of repayment?—No, we do not embarrass Government in their programme of repayment by our method of conversion. (*Mr. Davar*): But it may be in this way: Suppose Government has a programme of paying off certain 5½ per cent. papers in 1940, then there are two processes. With regard to the first process, so long as the notes of 1940 are still unconverted there will be no difficulty. It can be paid in 1940. With regard to the other one, we might adopt a lottery system as they have in the Continent.

9913. Then you pre-suppose that Government should lend itself through this policy as is done on the Continent?—It is not a lottery business.

9914. Is it not entirely on a different principle?—There are joint stock companies' debentures which are redeemable. Suppose there are 500 debentures issued at £100 each and are to be redeemed in 10 years, what they do is, they redeem every year one-tenth and the number is drawn as to whom it should be paid. (*Mr. Jamnadas*): There is the Brazilian Government loan. There are 4 and 4½ per cent. loans but the general standard is 4½ per cent. They are not redeemable loans, but they provide sinking funds out of the revenues of the State and repay a certain sum every year and by this reason it is very popular.

9915. But this is a different system altogether?—Yes.

9916. *Mr. Buckley* : There is one question at the end of the questionnaire regarding investment trusts. You have expressed no opinion on this question. I think your Shareholders' Association may have something to say on this question?—(*Mr. Jagmohandas*) : We have not answered all the questions. Speaking off-hand, I can say that unless the Indian Companies Act is radically changed, we will not advocate investment trusts, and it is no use advocating investment trusts on the present position of the land in India.

9917. In this conversion scheme of Mr. Jamnadas, is it one of the ideas for suggesting this scheme, that it will stop gambling on Government securities?—Yes.

9918. Is it your idea that income-tax is to be deducted at source on the securities under your scheme?—My idea is that all securities must be on a taxable basis.

9919. Is this method to be adopted even in the case of a very small man?—He can get it refunded. Of course, it is a very difficult problem to have refund which will be too much troublesome to a small investor, but then he can have these post office certificates.

9920. In this system of partial payment for Government securities, do you wish the instalments to be rigidly observed?—The Government will have to fix certain dates for the instalments. If the instalments are not paid on those dates, some latitude must be given to the people for paying the same.

9921. *Mr. V. L. Mehta* : What do you think of this suggestion which has been made to us that Government securities should be issued only in two forms, *viz.*, bearer bonds and inscribed stock certificates. Would you do away with the issue of Government securities in bonds transferable by endorsement?—(*Mr. Davar*) : This we do not recommend because there are two classes of investors : one who prefers for his own purposes to have a bearer bond and the other, particularly a larger investor, who prefers to have an order loan because it gives him protection against forgery.

9922. We were given to understand that several brokers and merchants have lost a great deal by reason of some forgeries in endorsements?—Where there is a forgery the original holder of the loan is safer, because forgery gives no title, and the moment forgery is proved the loan is handed back to the original holder.

9923. But the buyer suffers?—Yes ; in case of forgery some innocent person has to suffer and you have to decide which of these two deserves the suffering.

9924. It was put to us that the holder who is negligent about his document should suffer. Do you not agree?—I say that a man who kept his document carelessly and allowed it to be stolen should suffer, but the difficulty is that that view violates the basic principle of the law as to forgery.

9925. But do you not think that these inscribed stock certificates are a good substitute or do you feel that the form in which they are used comes in the way of the ordinary bonds transferable by endorsement being negotiated from day to day?—In fact an average investor does not know that there is something like inscribed stock certificates in India and to me also it came as a surprise when I learnt for the first time when the Accountant General wrote in the War time a letter to the "Times" and other papers saying that there is a system like this and anybody could take advantage of it. If it is advertised more, people can know it.

9926. Your solution then is to popularize the idea of inscribed stock certificates rather than do away with the bonds transferable by endorsement?—Yes.

9927. *Professor Kale* : Do you not want that tax-free loans should be allowed even in the case of villagers ? I was just going to ask you whether this would not defeat the very object you have in view ?—Tax-free loans to small investors ! Is this what you have in mind ?

9928. *Yea*. If I am not wrong, at the present moment the person who has purchased Government securities through the post office has not to pay income-tax. This is the facility which he enjoys ?—This would be an excellent arrangement.

9929. I take it that you are not against it ?—No.

9930. *Mr. Chikodi* : Speaking about the defects in the Indian Companies Act and the amendment required, you say “Abuses are frequent for which the secrecy or want of publicity of details in accounts is at least partly responsible.” I want you to develop your answer ?—The point is this : What we have in mind is that it is the general conclusion, and it is the general experience even in England as appears from this Report (“ Britain's Industrial Future ”), that a lot of irregularities occur and particularly the investing public are misled or suffer through lack of publicity in accounts. You can prepare a balance sheet within the four walls of the Form “ F ” in the Indian Companies Act, and at the same time give very little information in it and put it in such a garbled way within the four walls of the law that no auditor can object to it and the public may not be wise to doubt its true position. This is the position in England also and they have suggested here that a great harm is done to the investing public when certain fellows get, what they call, inside information and after doing so they speculate in the *bazar* ; and the real investor who has stake in the institution does not know anything about this inside information and he does not become wiser and has many times to part with his shares which fetch a value much less than the intrinsic value. We suggest that in publication of balance sheets of either banks or companies more detailed information should be given, and if you want to know the details I shall tell you what the details are. (*Mr. Jagmohandas*) : I may intervene at this stage and quote the instance of a bank in this connection. A syndicate consisting of a few persons bought machinery of an old concern. This machinery was sold to a mill at Ujjain. This mill resold part of this machinery to another concern in Ahmedabad. This concern remortgaged this very machinery and some other machinery to that very mill for certain amount. This particular company then appointed a firm of gentlemen as its managing agents. There was a bank in existence, and it is still in existence, of which these very gentlemen are also the managing agents. There was a transfer of mortgage from the Ujjain Mill to the Syndicate and in spite of the fact that the transfer of mortgage was in existence, the managing agents, who were common to the mill and the bank, advanced a large amount on behalf of the bank to this mill on the ground that the previous transfer of mortgage from the Ujjain Mill to the Syndicate was invalid. The bank took a mortgage for the advances made to the mill and also made further advances. A suit was filed. It has been held that the previous mortgage was all right and the bank's mortgage invalid with the result that the bank lost its moneys ; there was no mention of these transactions in the balance sheet. Now the Form in the Companies Act is very defective because the particulars which are required to be given by a bank are not enough and we found in this case that in the subsequent balance sheets it was stated that 10 lakhs of book debts were considered doubtful ; this was the position.

9931. Is it possible to publish all the history of each and every transaction?— No, but such transactions ought to be published. Take the case of the Sholapur Bank. The learned Judge said that the managing agents of the Sholapur bank had advanced money indirectly to themselves. (*Mr. Jamnadas*): Not only managing agents are common but where there are directors they are also common. In both the cases when loans are made from one another, they should be disclosed specifically in the balance sheet.

(The witnesses withdrew.)

THE BOMBAY HOSIERY MERCHANTS ASSOCIATION, BOMBAY.

NOTE

Our Association being interested in hosiery industry, we take this opportunity to express our views how this industry can be utilised for making it a cottage industry supplementary to agriculture, as enquired in paragraph 6 of your questionnaire.

Among the many such existing industries, hosiery be added to the list. It is reported that the import in India of hosiery goods is more than five crores of rupees annually.

Apart from power hosiery machines, a large number of hand machines suitable for cottage industry forms the bulk of the import. Still the *ryots* do not benefit by these machines, because there is no facility or organisation to bring them in touch with this growing industry.

The first thing necessary to help the *ryots* is the creation of associations in each *zilla* to purchase and distribute on easy terms to the *ryots* such machines, and the yarn, if the *ryot* has not already produced his own on *charkha*, to collect the produce from such *ryots* for marketing the same; the associations should also train certain number of men who should visit villages and initiate the *ryots* in the working of the machines and rendering necessary advice.

In the Bombay Presidency, there are no industrial schools for this industry as there are Industrial Departments in Bihar and Orissa and the Punjab. Though members of our Association largely import foreign hosiery, still a good quantity is purchased by them from Ludhiana and Amritsar where this cottage industry flourishes.

If the Bombay Government opens such an industrial department, on the above lines, it can create a lucrative industry for the *ryot*.

Mr. KATRAK'S SUPPLEMENT ON HOSIERY WORK.

To encourage cottage industries, centres near big village towns like Bulsar, Surat, Navsari should be organised on a small scale, the upkeep of which should not be more than Rs. 800 a month.

The centres will train up villagers, in cottage industry, in their spare time for about two to three hours a day for about six months by which time they will learn to handle different kinds of machines. The expenses of these centres should at first be borne by Government, and later on when the villagers have sufficiently learnt to handle the

The Bombay Hosiery Merchants Association.

machine, assistance should be given them to buy these machines on instalment system, or a loan should be granted to them repayable on easy instalment system with a nominal rate of interest.

The cultivators may readily take up this sort of work as it is sure to increase their monthly income by a very decent figure than anything else. Supplying machines and encouraging such cottage industries will go a great way in solving the economic welfare of India. A machine is useful to the whole family who will individually use it in their spare time. Such kind of machines can be obtained for about Rs. 125 to Rs. 350 per machine, and the money can be easily recovered from the labours in two to three years after which he becomes the absolute owner of the same.

Table showing the value of 1 dozen cotton socks made from 20s. yarn on manufacturing system on machine of old type in the factory :—

(a) Average production on an old type machine is $1\frac{1}{2}$ to 2 doz. pairs.

(b) Average production on an improved type Automatic Heel & Toe machine is $2\frac{1}{2}$ to 4 doz. pairs.

(a) ON OLD TYPE MACHINE.

20s. Cotton yarn	1 lb. 4 oz.	@ -/10/-	per lb.	0	12	6
Winding charges	.. ..	@ -/ 1/-	.. ..	0	1	0
Making charges of 1 doz. socks	.. ..	@ 1/ 2/-	per doz.	1	2	0
Dyeing	.. ..	@ -/ 3/-	per lb.	0	3	0
Toe joining	.. ..	@ -/ 2/-	per doz.	0	2	0
Box, label, and ironing	.. ..	@ -/ 3/-	.. ..	0	3	0
Total Rs.				2	7	6

Salcable in the market @ Rs. 2-14-0 per doz.

(b) On new type machiné, with a production of 3 doz. per day in 9 working hours.

20s. cotton yarn	.. 1 lb 4 oz.	@ -/10/-	per lb.	0	12	6
Winding charges	.. ..	@ -/ 1/-	.. ..	0	1	0
Making charges of 1 doz. socks	.. ..	@ -/ 6/-	per doz.	0	6	0
Dyeing charges	.. ..	@ -/ 3/-	.. ..	0	3	0
Toe joining	.. ..	@ -/ 2/-	.. ..	0	2	0
Box, label, and ironing	.. ..	@ -/ 3/-	.. ..	0	3	0
Total Rs.				1	11	6

Salcable in the market @ 2-4-0 per doz.

(c) Valuation of 1 doz cotton socks, produced by a cultivator at the rate of -/6/- per day, producing 4 doz. pairs socks in 12 working hours.

20s. cotton yarn	.. 1 lb. 4 oz.	@ -/10/-	per lb.	0	12	6	
Winding charges	.. ..	@ -/ 1/-	.. ..	0	1	0
Making of 1 doz. socks	.. ..	@ -/ 1/6	per doz.	0	1	6
Dyeing	.. ..	@ -/ 3/-	.. ..	0	3	0
Box, Label and Ironing	.. ..	@ -/ 3/-	.. ..	0	3	0
Toe joining	.. ..	@ -/ 2/-	.. ..	0	2	0
Total Rs.				..	1	7	0

Salcable in the market @ Rs. 2-14-0 per doz.

Apart from this if the yarn is purchased in bales the rates will be less than 10 annas per lb. and cultivator may even work 12 to 13 hours per day and thus the production will be more than 4 doz.

The scheme which has been adopted in the Government of Bihar and Orissa is very useful for the progress of the knitting industry, as the same is exactly what Japan does, and which may be seen in the "Textile Mercury" of Manchester of April 1926.

"Hosiery knitting in Ping-Hu, Chekiang, dates back a little over a decade, and is rapidly growing in importance mainly owing to the adaptability of the knitting machines to household work. When the machines were first introduced in 1912-13 they were of British or American make. A little later, however, machines of German and Shanghai local manufacture were bought in large numbers at very much lower prices, and a system was started to rent out the machines to various households. This greatly reduced the cost of manufacture, and extended the market of Ping-Hu hosiery to Shanghai and other populous Chinese centres in Yangtze valley as far as the Yellow river.

"At present two of the leading companies owning a thousand machines each, and two with 400, about a dozen companies with over 200 each, and a score of other smaller ones with 50 machines, are operating in the city and suburbs of Ping-Hu. The total number of machines reaches nearly ten thousand, about 80 per cent. of which are constantly at work on the basis of an average daily output of a dozen pairs of hosiery from each machine, or 8,000 dozen from the 8,000 machines in operation; the monthly production is estimated at 240,000 dozen. Allowing eight working months in the year, the annual output reaches close to 2,000,000 dozen.

"Almost without exception the knitting companies have no factories, although thousands of persons are employed, the machine leasing system enabling them to carry on business with a small control office and warehouse. The system also makes it possible for the young girls and housekeepers to work in their spare moments in their own houses, and for members of the same family to work in shifts on the same machine.

Following the success of the Ping-Hu concerns, neighbouring cities in western Cheking such as Kasha, Kadhing, Shihmen and Siashih, have become centres of the knitting industry one after another. With the exception of Siashih, none of these places can, however, compare with Ping-Hu in importance."

If the Government does not want to take upon itself the responsibility of opening centres at various places, then the Government should encourage the few existing factories in this presidency by giving State aid as has been done by the Bihar and Orissa Government, which sends persons by giving them scholarships to train up in cottage industry outside their provinces, and they may be asked in turn to train up certain number of persons appointed by Government or they may be asked to open centres in villages where the poor *ryots* may be trained in cottage industry.

Mr. K. N. KATRAK, Representative of the Bombay Hosiery Merchants Association.

Oral Evidence.

9932. *The Chairman* : Mr. Katrak, you are a member of the Managing Committee of the Bombay Hosiery Merchants Association?—Yes.

9933. What is the main object of your Association?—Our Association is formed to protect the interests of hosiery merchants, to push the finance and so on.

The Bombay Hosiery Merchants Association.

9934. Who are the members of your association? Are they importers or factory owners?—There are only two factory owners; and the rest are the importers of hosiery either from abroad or from India.

9935. Do they find any difficulties in financing import?—We could not answer the supplementary questionnaire, but we shall be glad to send the reply later on.

9936. Have you, as a factory owner, any difficulties about finance?—Certainly; the chief difficulty is that we cannot get capital for machinery, etc. If I ask for a loan from *shroffs*, I have to pay an exorbitant rate of interest.

9937. What interest do they charge?—They charge even more than 18 per cent.

9938. Is it for a short-term loan or a long-term loan?—We require money for six months at least.

9939. Is it on the security of the machinery?—No, the machinery should be with us. Unless we have our machines with us, we cannot work. We want the banks to advance money on machinery, but the machines should be with us. Another difficulty is that we cannot store up our goods during slack seasons for want of capital and we have to sell them at any price.

9940. Would not a bank advance money against the security of these goods?—Certain banks do, but not in the way we want them to do. We request them to collect the money from the goods sold from the stock, but they refuse to do so, and want the whole sum to be repaid within a certain period. Another difficulty is that when we send our finished goods to the buyers, we get money after 1½ months or sometimes we have to wait even for sixty days. We want banks to advance money during the interval and collect the amount from them. Sometimes we have to sell goods on credit, and we may recover the money after some period, or the party may fail and we lose the money. When we want more money to produce more goods, we cannot get an advance from the bank, though we are willing to pledge the finished goods or machinery. The banks also do not advance against raw materials.

9941. Have your factory owners approached the joint stock banks in this respect?—No.

9942. Would you say anything about importers, and how the imports are financed?—I shall send you a full note about financing the imports.

9943. As regards cottage industries, if they are introduced, would there be any difficulty about marketing?—I have given full details as to how the hosiery goods can be manufactured and can be sold at cheap rates in competition with Japanese goods. The Bihar and Orissa Government have already introduced this cottage industry.

9944. Is much capital required for this to start with?—No, I think we can start on a small scale and not on a very large scale as the Bihar and Orissa Government have done. They have started with one crore of rupees. We must start on a small scale, and as we

9945. How much would the machine cost?—There is a small machine worth from Rs. 125 to Rs. 350. There should be some sort of organisation to train the people. The training may be given in a school started either by the bank or Government. The farmers would be trained for a certain period, say about six months, in the school. After that period they may be advanced about Rs. 350 or less according to the value of the machine. They should also be supplied with raw material from the school, and they might work at home and prepare the goods and the market. Done through

the school. That school will be self-supporting after a year, and it will not be a burden to the Government. Such school may be started in Bulsar, Surat, Navsari, Billimora and such other business centres. The whole cost will not be more than Rs. 800 per month.

9946. Has any such school been started?—No, it is only a proposal.

9947. How much time would it take to train them?—An intelligent person can be trained in fifteen days.

9948. Can this occupation be taken up in spare hours?—Yes, this can be done as a spare time occupation. At present the farmers working on the *charkha* may get 2½ annas per day, but we can give them three times what they earn, and I think they would willingly take it up.

9949. Would it be easy to train agriculturists to do this sort of work well?—Yes, they can be trained to work on the machines, but the finishing work requires greater skill.

9950. Does this finishing work require machinery?—It can be done by hand.

9951. Do you think there would not be any difficulty about marketing goods?—No, because there is already a demand for such goods. At present we are working in cities and have to incur a lot of expense on costly machinery, but as the farmers would work in their homes, the cost would not be great, and the goods will be marketed easily.

9952. *Mr. Kamat* : Have you been to Bihar and Orissa yourself?—No.

9953. In certain places these machines were tried amongst the women but they were not successful. Will it require a long training under your scheme?—That is why I have suggested one year's training, six months in school and six months work at home.

9954. When he becomes a skilled labourer, he will earn one to two rupees per day. Will he then remain an agriculturist?—It would not be so in the case of all agriculturists.

9955. *Mr. V. L. Mehta* : Are these machines available in the local market?—Yes.

9956. Are your members agents for these machines?—Our members deal in hosiery. There are one or two of them who deal in machines as well.

9957. Do you not think there is a limited scope for the market of these goods?—I do not think so; I can say that the labour will be so cheap that the marketing will be easy because the goods will be sold at a cheap price.

9958. People do not want these articles on a large scale?—Now-a-days people want to buy socks and other articles. I think the market for these goods is expanding.

9959. *Professor Kale* : The market is expanding no doubt, but where did you get this figure of five crore of rupees?—That was only an idea of our members; but after writing this we have found that it is about two crore of rupees.

(The witness withdrew).

INDIAN INSURANCE COMPANIES ASSOCIATION.

NOTE.

My committee do not desire to answer in detail the questionnaire, particularly Nos. 1 and 2. As some of the important commercial bodies like the Indian Merchants Chamber are submitting a detailed reply to the questionnaire, we do not want to add anything in this respect. Our committee will confine itself to only No. 3 and in particular to the insurance section. That the advent and expansion of insurance companies in India has been responsible for the attraction of capital for investment

The Indian Insurance Companies Association.

purposes is an undisputed fact. In the first place, life insurance companies have to a large extent been responsible in inculcating the spirit of thrift in the minds of the general public. This spirit has become very evident during the last 10 years ; but in a more definite form during the last 5 years. Such savings invested by the people of this country through life insurance companies have accumulated into enormous sums. According to the report of the Government of India Actuary issued in the year 1928, the total assets of Indian life insurance companies amounted to Rs. 17,73,04,592. Out of this total over 2 crores of rupees are invested mainly in Indian Government Rupee Securities. Life insurance business in this country is expanding by leaps and bounds. Some of the leading Indian life insurance companies have done quite a large volume of business even during the last year and there has been quite a decent addition to the sum total of the funds. At the rapid manner in which life insurance business is increasing with Indian life insurance companies we will not be exaggerating things if we say that in another 10 years the funds of Indian life insurance companies would easily be fourfold. It is only natural that the bulk of these funds should find their way into Government securities.

In so far as the general insurance business in this country is concerned, the progress here has been very slow indeed. As a matter of fact, until the year 1919 there was hardly any company of any magnitude transacting general insurance business established in India. There were only two companies then which were doing only fire insurance business confining their operations to the City of Bombay. In that year half a dozen general insurance companies were formed and immediately a sum of nearly 1,80,00,000 of rupees was available for this business from the public as paid-up capital. In spite of the fact that one large company has returned no less a sum than Rs. 47,50,000 of capital to its shareholders, the assets of the general companies now amount to over Rs. 2,92,00,000 by the accumulation of reserves. A great portion of this money also is invested in Government paper. One reason for the slow progress made by the Indian insurance companies is the keen competition of established foreign companies of which there are over 100 operating in this country. It is the opinion of our committee that if India had some sort of restrictive legislation against foreign insurance companies, the progress of All-Indian insurance companies would certainly have been much more rapid, which would have resulted in more money being invested by them in Government of India Securities. The tendency practically in every part of the world to-day is to have such legislation and instances can be given of several countries where legislation has been introduced favourable to local companies in that foreign insurance companies are being asked to put up deposits and to invest a certain portion of their income in securities belonging to those countries where they operate.

It may not be out of place if we bring to the notice of the Banking Enquiry Committee the fact that some of the foreign exchange banks doing business in India have adopted an attitude which is anything but friendly towards Indian insurance companies ; where this was not done, customers were given hints to bring policies of non-Indian companies in future. In that way foreign exchange banks discourage the growth of Indian insurance companies even in India itself. These foreign banks get much help from the Imperial Bank of India which is an Indian bank and yet their attitude towards Indian insurance companies is one of positive discouragement.

If more friendly attitude were shown by these exchange banks towards Indian insurance companies, their growth would be accelerated. Our committee would like that this attitude of the foreign exchange banks should be taken notice of.

Mr. K. S. RAMCHANDRA AIYER, the representative of the Indian Insurance Companies Association, Bombay.

Oral Evidence.

9960. *The Chairman* : Mr. Aiyer, you are the representative of the Indian Insurance Companies Association ?—Yes.

9961. What is the object of this Association ?—To safeguard the interests of the Indian insurance companies.

9962. In Bombay ?—Yes.

9963. Is it confined to Bombay ?—Yes. There is a company in Calcutta managed by Jardine Skinner & Co. and there is another company in Rangoon. This is an association to protect the interests of the general Indian insurance companies as such. I am also the secretary of the Jupiter Insurance Company.

9964. In the first part you state that the advent and expansion of insurance companies in India has been responsible for the attraction of capital for investment purposes. Do insurance companies invest mainly in Government securities ?—Mainly in Government securities.

9965. Later on you say that about 9 crores have been invested in Government securities. What about the balance ?—Some are invested in Municipal and other bonds.

9966. Private securities ?—Yes.

9967. Do they invest in industrial concerns ?—Not that I know of. There is one insurance company in Lahore, which invest money in industrial securities. As a principle they do not invest in ordinary shares.

9968. How far has this insurance business spread into the villages ?—I think till some time ago insurance companies were confining themselves to cities and some important towns. But during the last 4 or 5 years, particularly during the last two years, there is a great deal of awakening with regard to life insurance. I think even cultivators and illiterate merchants, in the sense that they do not know to read and write English but well-to-do, are taking to life insurance.

9969. In which part ?—Many parts ; in Bombay, Madras and Calcutta.

9970. Gujrat ?—I am talking of Telugu districts wherefrom we got about half a dozen proposals.

9971. Is there any difficulty about medical examination ?—No ; because we have got Government dispensaries and the people who are in charge of these dispensaries and who are duly qualified are allowed to examine these cases.

9972. Do insurance companies maintain statistics with regard to births and deaths ?—I do not think that each company has got regular statistics of births and deaths. But they have got their statistics of mortality from their own experience.

9973. What is the minimum amount for which the policies are issued ?—Ordinarily the minimum is Rs. 1,000. But there are some companies which have a minimum so low as Rs. 250.

9974. Do they insure cultivators ?—Yes ; in the districts also.

The Indian Insurance Companies Association.

9975. Life insurance would be a great incentive to thrift, would it not?—With regard to life insurance in America, it took 78 years for them to get their first 50 billion dollars. They reached that figure in 1922. Within another $6\frac{1}{2}$ years they were able to get another 50 billions. Proportionately our country also is progressing. What took many years to achieve is possible now in a few years. The present figures will increase by three to four times within the next ten years. There has been a remarkable development in life insurance only since post-war days. Particularly during the last 5 years we have been making rapid strides in India. I heard recently that one Indian insurance company has received newly 8 crores of rupees of property this year. What is called the inculcation of thrift has been going on much more rapidly than anybody could think, so that the insurance companies are doing a lot of work to attract what is called cash. That means that they are going to be of great use to banks themselves. The banks will not be able to attract capital as rapidly as insurance companies, so that the insurance companies are becoming great reservoirs in which large capital is attracted which in times of necessity Government as well as public bodies can fall back upon for loans. Even in India during the last 10 years, if you take the Government of India Report, the business has gone up very much. I maintain that within the next decade instead of 17 crores you will have four times that money accumulated in the hands of insurance companies. The insurance companies also have done a great deal of propaganda work educating the public. They have taught the public to insure their lives on the basis of monthly income. Suppose a man gets Rs. 200 a month. The family would require Rs. 50 or Rs. 60 a month for its expenses whether the man lives or not. He must take a policy for Rs. 10,000 or such sum as would bring in that much income. In former days even educated people thought of insurance as an obligation to someone. Now; they are easily taking policies for 20,000 and 30,000. Life insurance benefits the public and relieves poverty to a large extent. Propaganda work has been carried on on a large scale in England and America. But in India they have not done so on such extensive scale for want of funds. Now they are getting money and they are beginning to do it in India also. Insurance business has so much developed in England, America and Japan that the executives of insurance companies are taken as directors in many banks, because these companies have accumulated crores of rupees and these executives have got greater experience in the matter of investment than the directors of banks. What I want to point out is that as time goes on there is bound to be close co-operation between insurance executives and banks, because when we get more money we will have more to do with banks. I want to place particularly before the Banking Enquiry Committee this important aspect that 80 per cent. of the assets of the insurance companies are controlled by Bombay. If you look into the figures, the Oriental Insurance Company has eight crores, the Empire of India has three crores and other small companies have got about four crores. Out of a total of seventeen crores, fifteen crores are held by Bombay. When the Banking Enquiry Committee is engaged in the task of finding out banking facilities, they are entitled to find out first the sources of money. The insurance companies are one of the best sources where hard cash is collected for the benefit of the community.

9976. What is the percentage of investment in industrial securities in other countries?—I hand to you this book which gives the information. (Address of Mr. T. L. Parkinsar at the 22nd Convention of Life Insurance Presidents, New York.)

9977. As regards fire insurance?—The progress has not been satisfactory. On account of the difficulties which we are experiencing and encountering, the progress is not satisfactory. There is a large amount of business available in the country, but still

the progress has been very small. Really speaking, fire insurance is confined to large cities. The bulk of the business comes from Bombay, Calcutta, Rangoon and Madras. They are more or less industrial centres and a lot of business is being done. The upcountry business in cotton and others forms also a fair proportion. The insurance companies have to depend mainly on large industrial cities like Bombay. On a rough estimate Bombay alone is spending like 2 crores in fire and marine insurance, and also on cotton and other materials coming here. So far as the public are concerned they have made a response, but much remains to be done. The difficulty is in the attitude of certain banks. Mr. Buckley asked Mr. Lalji Naranji whether this matter has been taken up by the insurance companies. We took up this question last year and wrote a letter to the Exchange Banks Association, which is as follows :—

Bombay, 8th August 1929.

To .

The Secretary,
Exchange Banks Association.

Dear Sir,

I beg to address this letter on behalf of the Committee of the above Association. Some of our members have been complaining of difficulties of getting policies issued by a bank accepted by your members. To enable us to reply to such members, we should be much obliged if you could give us some indications showing on what basis the acceptance or refusal of such insurance policies is decided upon by your members.

Yours, etc.

(Signed)

The reply to the above letter runs as follows :—

Bombay, 16th August 1929.

To

The Secretary,
Indian Insurance Companies Association.

Dear Sir,

I beg to acknowledge receipt of your favour of 8th August the contents of which have my attention and in reply to your enquiry I have to inform you that the question of the acceptance or refusal of insurance policies is one which is left entirely to the discretion of the individual members of my Association. So many factors have to be taken into consideration that even a general indication of the basis on which the decision is formed is not possible.

(Signed)

Chairman.

We have not complained against all the exchange banks. There are only a few banks which put obstacles in the way.

Indian Insurance Companies Association.

9978. Others do not put obstacles?—Day before yesterday an insurance friend showed me a letter which he wrote to a Calcutta Bank. He got the business and the goods have to be hypothecated. He wrote the letter at the instance of the party whether they would be prepared to accept the policy. They did not even show the courtesy of replying to the letter. I do not want to mention names. But that is the greatest disadvantage we are suffering from. We are well aware of the average Indian mentality. A man took an insurance policy to a bank manager. The bank manager tells him: "Do not bring any more of this policy. Bring from some big companies." The man goes away and unwittingly talks about this in the *bazar* which does great deal of harm to Indian companies. In this way we are prevented from getting business, which would come to us. Not only that, there is a chance of losing other business also by such loose talks.

9979. To a certain extent these people go to big insurance companies, because they are of long standing?—As I said there is a class of businessmen who are prepared to come to us.

9980. Do these general insurance companies take up cattle insurance also?—Not so far.

9981. Crop insurance?—There is one company in Madras with a subscribed capital of 54 lakhs and an authorised capital of 6 crores doing business in Madras. They charge a premium of Re. 1 or Rs. 1½ per acre. I do not know the details.

9982. You speak about restrictive legislation?—The legislation that I have in mind is this: In almost all the countries in the world they have got legislation. If a foreign company wants to get a charter for doing insurance business in a country, they must file their articles of association, their balance sheet and a list of the names of their directors. A deposit in cash must also be made. After all these things are done a license is issued. They have to set apart a certain percentage of the insurance premium collected in that country and invest the same for safety of policy holders. Over and above that they have to invest mainly in the securities of that Government. The company is called upon to prepare and file a separate balance sheet for the business done in that country. Some countries have even gone to extremes, that is to say, the company should re-insure the business they have done with the local companies.

9983. Where is that?—In some of the South American Republics. In Siam, which is near to us, they have passed an insurance legislation—there are not many local companies—by which foreign companies are called upon to furnish deposits. Mind you there are not even local companies. The tendency is to have some sort of legislation against foreign insurance companies.

9984. Legislation in order to utilise the premium amount collected in the country itself?—India is a big country. There are about 100 non-Indian insurance companies. Strictly speaking, all of them are not parent companies. There are many defunct companies which have been bought by large companies. So far as India is concerned, when rules were framed, Indian companies were not in existence. The large company which purchased these defunct companies can appoint agents for these defunct companies, though these defunct companies do not really issue any separate balance sheet. These companies have ceased to exist. For the sake of representation they galvanize life into them. By this means an insurance company is able to have more than two representatives. An insurance company cannot have more than two representatives. By purchasing 6 defunct companies a company is able to have more than half a dozen

representatives. There should be some restrictive legislation to prevent these defunct companies being represented. There are small companies which are doing business in India and they are not required to furnish deposits. To-day any man can come here and open an office. There is nothing to prevent him.

9985. What about the Imperial Bank of India?—It is common knowledge in commercial circles that exchange banks are benefited by the Imperial Bank. In what way I do not know.

9986. *Professor Kale*: You have told us that the funds at the disposal of insurance companies are growing. Do you think that there are sufficient securities in volume and variety in which this money can be invested?—As I said, we have taken up Government securities. We are taking up public utility also. The tendency will be to go in for public utility concerns if they are managed well.

9987. Are you allowed to invest in railway shares?—Yes; some companies have invested in some of these feeder lines.

9988. Do you favour part of this amount being utilised for banking?—The functions of a bank and an insurance company are entirely different and distinct. May I know exactly what you mean?

9989. Some of this money may be invested in lands and houses?—Safety being the prime consideration, when you have got a large surplus, insurance companies will take to it. But it will take years in India. In western countries they have taken up this because they have got huge sums of money and that too only recently. When we come to their level, I do not see why we too should not do the same.

9990. *Mr. Kamat*: Insurance companies do business in America in house property. If a policy holder wants to build a house, they help him?—Yes.

9991. Can the insurance companies here make that innovation?—I do not think any insurance company has done that. It can be attempted. We ourselves thought of doing it, but we have given it up for the present. That will be taken up as time goes on.

9992. In America they have also got a method of investment called farm loans. Do you consider it to be a feasible proposition?—It depends upon what is called the literacy of the farmer. In western countries farmers are more advanced in education. We know our farmers in India. Owing to the unemployment problem the literate middle class will have to revert to the farm. Then when you have a literate class in the farms the insurance companies will give them any support.

9993. If policies of Rs. 250 are popularised in rural parts, do you expect any difficulty with regard to medical examination and so on?—These people even in the case of a claim arising in the first two years do not pay the full amount. Probably they pay only 25 per cent. or something like that and only Rs. 250 is given if a claim actually arose after the 3rd year. This is with a view to save the medical examination fee because a company issuing policies of Rs. 250 cannot afford to have medical examination.

9994. Will any difficulties be raised by insurance companies about the proof of death of a villager in his village?—It is not a question of the insurance company raising any difficulty. It is all a question of the heir, whoever he may be, producing the usual certificate. If a man dies in a village, there is always the villageman to give a certificate. I have known of Indian companies who have paid the claims in 24 hours.

9995. *Mr. Buckley* : We have been told that the Imperial Bank by opening a number of branches in the *mofussil* and the Government by the constant issue of cash certificates are draining a lot of money from upcountry. If this life insurance movement develops, I presume the premia will also come to the big financial centre. Do you think there is any likelihood of this money going back in the shape of deposits to co-operative banks ?—I do not think so.

9996. You think that this money would come here as in the case of cash certificates and the Imperial Bank branches ?—I believe so.

9997. *The Chairman* : There is now a proposal to start land mortgage banks which will issue debentures. Do you think that your insurance companies will take up these debentures if the interest is guaranteed by Government ?—I believe insurance companies will give very careful consideration to such a proposal.

9998. *Mr. V. L. Mehta* : Are mortgages of property, whether landed property or household property, more common amongst life insurance companies than amongst general insurance companies ?—Yes.

9999. Are those mortgages of property done in Bombay or other headquarters in which the companies operate ?—Yes.

10000. And not in upcountry centres ?—Very rarely.

10001. Have there not been any very glaring examples of bad debts in insurance companies in the line of investment ?—Not to my knowledge.

(The witness withdrew.)

The Committee then adjourned till Friday, the 20th December 1929.

Friday, December 20th, 1929.

BOMBAY.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. I. D. L. BUCKLEY.

Mr. P. R. CHIKODI.

Mr. H. V. DESAI.

Professor V. G. KALE.

Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

THE MAHARASHTRA CHAMBER OF COMMERCE.

MEMORANDUM.

The questionnaire issued by the Bombay Provincial Banking Enquiry Committee covers a vast field and relates to a variety of details. The inquiry was necessary to supplement the work of the Royal Commission on Indian Currency as Governor Strong would put it. The committee of this Chamber have not attempted to answer the questions seriatim. They have confined themselves mainly to a few issues which they consider to be of vital importance. They have referred to others only casually.

Rural Finance. Unlike the industrialised western countries the population of this country is very differently divided between the rural and the urban areas. In England about 4/5ths of the people live in urban areas, while in Australia about 3/5ths of the people are classed as urban. In each of the other Dominions about 1/2 the population is so classed. In India, however, only 10 per cent. of the population lives in towns. The industrialisation of this country has no doubt begun and the static character of the society is undergoing change, but the movement is slow. India is still a country wherein the population is for the most part living in villages; and with its rural population agriculture is the principal and in most cases the only occupation. Any attempt, therefore, to improve the economic condition of the agriculturist in this country would be in the general interests of the masses. The problem of rural finance is an important one. It is not possible to give any accurate, or even an approximate estimate of the needs of rural agricultural finance. The average annual rural financial requirements of a district are put at about (Rs. 25 millions, or) 2,50,00,000 of rupees by an experienced district officer, the calculation being made at the rate of 30 rupees per capital. An experienced *shroff* would like to put it at about Rs. 10 millions or a crore of rupees on a conservative estimate. It will depend on the size of the district, the nature of the soil in it and the crops taken. Estimates of the requirements of rural agricultural finance are only approximate in the absence of intensive inquiries. It will not therefore be unsafe to put it very roughly at some figure midway between these two estimates, say Rs. 15 millions (1,50,00,000). This will not be quite off the mark as an average of the annual financial requirements for a district in this Presidency. It must be noted, however, that generalisations from stray studies would be misleading and unless proper surveys are carried out by State, such estimates, howsoever ingenious they may be, are bound to be imperfect and often little better than guesswork. It is, however, possible to say that the requirements of rural finance are considerable and

The Maharashtra Chamber of Commerce.

the problem of making finance more easily and economically available to the agriculturist is certainly one of great importance.

Before the committee proceed to point out how this financing could be done more expeditiously and economically in the present circumstances of the country, it is desirable to say, largely speaking, how this financing is being done to-day. It is done to-day (a) by *sowcars* and *shroffs*, (b) by landlords, (c) by richer fellow agriculturists, (d) by local merchants, (e) by Government, (f) by co-operative societies. All these work independently and there is practically little co-ordination between them. Out of all these agencies (a), (b), (e) and (f) are important and as such they deserve some notice, the financing of the remaining agencies being comparatively negligible. The state does it to a small extent when it helps the agriculturists by means of *taccavi* loans under the Land Improvement Loans Act, and in case of failure of monsoon under the Agriculturists' Loans Act. The agriculturist, in either case, it must be noted, does not get finance for his current needs. Co-operative societies are also working in this field. They give loans to agriculturists for their current needs, but even then it is a regrettable fact to state that the finance is often insufficient and not prompt. The co-operative societies may be meeting at present about 50 per cent. needs of the agriculturists who have joined them, and it will be seen that finance must be prompt and adequate if it is to be fruitful. Nearly 80 per cent. agriculturists are still outside the Co-operative Movement. It has not met to any considerable extent the financial needs of the small trader or industrialist as yet. On the whole, it can be stated that the progress of the Co-operative Movement is very slow and that it has not come up to expectations, the main reason being that the masses are illiterate and they do not understand the value of the principle of co-operation. The percentage of illiteracy is over 92 per cent. in this country. In some cases co-operative societies have come to grief because the strings of management fell into the hands of people of questionable methods, in others because of the lack of business experience of those who had to run them. It has also to be observed that the organisers of the co-operative societies often lack initiative and enthusiasm. At times societies are started just to please Government officers, as they know that the movement is sponsored by Government. These things apart, the principal reason why it has little headway so far is that the masses being illiterate, they have not yet taken to it. The Movement has not come from within, but it is rather forced on them from without. The co-operative societies have not as yet been able to oust the *sowcar* or *shroff*. This agency still continues to be there; and it does not seem likely that co-operative societies will be able to take its place at least in the near future for reasons already stated. As for the landlords, richer fellow agriculturists and local merchants, although these might occasionally take a hand in financing the agriculturist, their financing is not a factor of importance.

The State itself cannot become the financing agency and do this work. Apart from the difficulty of providing sufficient funds, the state financing would be too clumsy and too slow to be of any use, attended as it will necessarily be with a number of formalities. It may come for instance, if it comes at all, when it is too late. The machinery of the State moves slowly and the red-tapism which surrounds its operation may often preclude the possibility of giving help at the right time. The majority of Indian agriculturists are very poor—"a very large proportion of the inhabitants are beset with poverty of a kind which finds no parallel in western lands"—"India, 1923-24". To a very great extent "the Indian peasant works neither for profit nor for any net return but for subsistence pure and simple"! For generations he is engaged in a grim struggle to obtain a bare livelihood, being all the while subject to uncertainties of monsoon. Unlike wage-earners who are paid either weekly or monthly, the peasant has to wait

How agriculturist is financed to-day.

Success of Co-operative Movement partial.

for six months or even a year according to the interval between two successive crops. The crop yields of this country are about the lowest to be found in any civilised country. The loss of cattle due to scarcity, disease and other causes is heavy. There is crowding of people on land due to lack of alternative means of securing a living and the difficulty of finding any outlet for escape.

The unproductive debt of the agriculturist of British India is estimated at 600 crores of rupees according to Mr. Darling's "The Punjab Peasant in Prosperity and Debt." It is often put as high as 800 crores. The agriculturist needs financial help every day; the question is how best it could be rendered economically and expeditiously. The joint stock banks and the Imperial Bank have practically no hand in financing the agriculturist for his current needs.

It has been shown above that the State itself cannot do this. It may be pointed out that the joint stock banks cannot do this either today or even for a considerable time to come. The Imperial Bank with its several branches is there; many of the branches, it is complained, do not pay their way. There are some joint stock banks in the country but still even the field of non-agricultural finance, wherein banking facilities are needed, is not covered by them. It does not seem possible that in the near future this vast country, a sub-continent in itself, can have 4,600 branches of banks as in Canada, much less anything like the network of some 27,000 banks in the United States of America, a country where at least two-thirds of these are situated in small communities of five thousand population or less. There are country banks and these differ from the city banks in their size and character of operations as well as in their customs. Firstly, these serve as a safe place wherein to keep money, and secondly, as a place where under certain conditions money can be borrowed. With a small bank a bad loan is a serious risk and yet a bank which never takes any risk is a community liability and has practically no right to exist. A small character loan to a man of big character is often a necessity.

We do want something to serve the purpose of these American country banks in this vast country, and the committee of this Chamber would like to suggest that the only possible way in which this can be done today comparatively economically, expeditiously, and efficiently is by linking up respectable *shroffs* in various places either singly or in groups with the banking organization of the country. The *shroff* has been there for hundreds of years, through all the political vicissitudes and upheavals which this country has witnessed during the last thousand years. He is not very progressive, perhaps he is a bit narrow-minded, at times even grasping and not often uneducated. All the same he has been all along, and is even today to a very large extent, the pivot on which the economic life of the country hinges. He is an institution which has weathered many a storm. He is still the instrument of circulation of goods and money. He can be made a better and more efficient and comparatively more modern instrument for circulation of goods and money if he is linked up with the central banking organization of the country and helped financially. He is still a necessity and he would not be easily destroyed by law. He meets the bulk of the agriculturists' requirements of capital for current needs and in times of distress he helps him. The *shroff* generally trades in different commodities and also does his money-lending business side by side. The early provincial bankers in England and the London goldsmiths played to some extent a similar part, although they became bankers pure and simple later on and abandoned trading. The *shroff* in India is still a merchant-banker. He

accepts deposits, and often buys and sells *hundis* if he has sufficient funds to handle this business. As a result of *hundi* business he is often brought into contact with the Imperial Bank and the joint stock banks. Generally they do not use cheques. *Shroffs* often enable Government to transfer funds from the districts to places where these may be needed if Imperial Bank facilities be not available for this purpose. Such transfers are necessary especially in busy season after crops are gathered, and when they are marketed. As matters stand today the Imperial Bank has not proved helpful to *shroffs*, its management being largely in non-Indian hands. The Imperial Bank obtains largely Government funds free of interest and it often competes with *shroffs*.

Except for the fact that generally he does not use cheque he does practically the same business as a joint stock bank. The indigenous bankers can be divided into three distinct classes: (a) those that do nothing but banking pure and simple, (b) those that are bankers as well as commission agents and lastly (c) those that are primarily businessmen, but take a hand in banking if their capital remains unengaged. By far the largest number is of the (b) class. Not only does he to a very considerable extent the financing of agriculture, but he also finances to a large extent internal trade and often takes a hand in industrial finance. Indigenous bankers often accommodate one another, usually the period of accommodation being two months. There is no prejudice against indigenous banker as such; generally his services are valued and his methods also are clean.

II. Indigenous Banker.
II. 1, 2.

If a *shroff* is to receive any help, as indicated above, it naturally follows that he should be subject to certain restrictions. For instance (a) his books and accounts should be open to inspection and audit by proper authorities and (b) it should be obligatory on him not to speculate or deal in futures. The indication here given is not even an outline, much less is it a complete plan, of how exactly the *shroff* should be linked up. The committee of this Chamber would like to observe that the scheme is worth a trial in the transitional period till general progress may render other more useful agencies available for this purpose.

If *shroffs* are to receive financial help they should be subject to certain restrictions.

There is, the committee of this Chamber thinks, no necessity of further increasing the already existing facilities for enabling people to invest their funds in the postal cash certificates, State loans or other securities. In fact the committee would, on the contrary, like to suggest that the discontinuance of the issue of the postal cash certificates can be considered as a practical proposition. As a rule small investors have availed themselves of these certificates due to the attractive rates of interest offered, and funds, which would otherwise have found their way to the *shroffs* and would thus have become available for agricultural finance, have been diverted. To the extent to which this result has come about Government can be said to have competed with the indigenous bankers. It cannot be lost sight of in this connection, that only a very small percentage of the population of this country, agriculturists as well as non-agriculturists, have any surplus funds to invest, the income of most people being just sufficient to enable them to keep going. For

III 1, 2, 3.

most of the agriculturists the question of investment does not arise even in a good year, the reason being that he is almost invariably in debt. Most of this total unproductive debt of the Indian peasant must be due to the indigenous bankers! The committee are not in a position to supply an accurate estimate for it either for a village, district or province. Agriculture is becoming uneconomic day by day. It will be but proper to point out in this connection that the land revenue policy followed by Government is also responsible, like the other factors, for the agriculturist's present plight. And if he is to be put on his legs a way must be found out to enable him to overcome these difficulties.

Indebtedness of the agriculturist great.

18.

The Dekkhan Agriculturists' Relief Act.

It has not benefited the agriculturists and undue advantage is often taken of it by non-agriculturists.

It has also caused hardship to Bombay merchants.

It needs amendment.

A word about the Dekkhan Agriculturists' Relief Act and its effects would not be inappropriate here. This Act was originally passed in 1879 to protect the agriculturist ; but far from having protected the agriculturist it has in a sense made his position very difficult by having estranged him from the indigenous banker. There has been, as it were a race between them to evade their respective responsibilities in their anxiety to pursue what each of them considers to be his rights. The Act is often abused for the benefit of persons for whom its provisions were never originally intended, and it has often proved a source of infinite and unnecessary worry to honest creditors. It cannot be gainsaid after this experience of its working that a motley crowd of adventurous gentlemen only too often have successfully ousted the jurisdiction of courts by claiming to be agriculturists ! It needs amendment and it is, to say the least, not desirable to allow it, in its present form, to stand on the statute book. The definition of " agriculturist " should be made more precise. It has further adversely affected the business of those who work as commission agents in Bombay. A *mofussil* man often orders goods as a trader in the usual business way and when time for payment for the goods comes these clients suddenly become agriculturists ! The suits for recovery of money cannot be filed in Bombay, but the creditors have to go to the *mofussil* courts at great inconvenience and expense. It is unfair and against all equity that the debtor should have all the benefit and the creditor merchant of Bombay all the burden. The committee of this Chamber therefore submit that the Act should be so amended as to allow a claim in respect of a trade debt due to the Bombay merchant to be triable by Bombay Courts.

The committee of this Chamber recognise that if a system of independent warehouses like the one obtaining in the United States of America comes into being it will be of great help to the internal trade, to the producer of raw material and to the manufacturer. This will make possible adequate financing by banks of merchandise at every stage on its way from the time it is produced to the time it reaches the consumer, without the banks entering into actual physical possession and taking charge of the godowns. The warehouse warrants can be handed over to the bank as collateral for loans, as is the case with other securities now. But the committee also recognise that there are difficulties in the way of any such general scheme of licensed warehouses being put into effect in this country at once. Any way the committee would like to suggest that to begin with on certain important railway stations, railways should erect such big warehouses and the warrants issued by these warehouses for goods deposited in them should be given a negotiable character in case of certain approved merchants within certain areas. Such a system, it is known, is working at present on the Calcutta-Darjeeling railway for tea-chests. The experience of these suggested railway warehouses will be valuable in considering some scheme for a general licensed warehouse system at a subsequent date. The committee of this chamber have advisedly suggested that railways should begin first, because they have got the necessary organization and they can easily work them. The marketing of agricultural produce is done at present mainly through *adatyas* and local merchants. The peasant has to dispose of his produce practically at any price he gets as he has not got the waiting patience. Forming of pools would be desirable but the committee are not sure if they would succeed in the present circumstances. Any way the committee think the possibilities in this direction are remote. For any such ideas to be fruitful of results the masses must be literate and they must be able to appraise the value of these things.

12. Warehouses on important railway stations.

12. Formation of Pools and co-operative effort in marketing the agricultural produce.

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Cotton gins, rice mills, sugar refineries are industries on factory lines and these are growing and they can be regarded as offering some solution for spare time work for

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village people. 75 per cent. of the labour in the 15 large sugar refineries in Bihar and Orissa is agricultural. There are some possibilities for improving the condition of the rural population by planting rural industries, but it has to be recognized that they are limited. There exist to-day few, if any, supplementary occupations which enable an agriculturist to add to his scanty income at least in Maharashtra. It may be possible to introduce some such occupations especially in the interior. The work will have to be properly organised both so far as the production as well as the marketing of the articles is concerned. The proverbial illiteracy of the agriculturist may, however, prove somewhat of a stumbling block in this work. But it will be possible to get over this difficulty with energetic propaganda. Embroidery work, toy-making, cane-work, rope-making, paper-box making can be introduced with advantage, but to what extent this all will reduce the pressure on land and how long these will survive is a matter for consideration. Handloom is an extensive occupation and it has still held the ground in face of competition from the organised and large scale textile industry. The local situation will have to be studied and local possibilities investigated in each area before industries are selected. Much organization and village work will have to be done, on lines similar to those of the work in the Gurgaon district of the Punjab, before good results could be expected. People's habits and their notions will have to be changed and a desire for better life and work created in them. As matters stand to-day many people especially in villages would like to spend their time like the lotus-eaters of Tennyson!

Cheque-habit is gradually growing. The growth is slow, but looking to the general economic condition of the country and looking to the extent of the spread of education, the committee believe that the growth can be considered to be fair. The committee would, however, like to point out in this connection that cheque is a rich men's money and the extent of its use in practice will be conditioned mainly by the economic position of the people and also by the availability of the banking facilities in the country. The abolition of stamp duty on cheque has been helpful to its use on a greater scale than before. The same way the introduction of the use of vernaculars may also help the forming of banking habit to some extent.

Indians have been used to both banking and investment from old times. The institution of *shroffs* bears testimony to this. If these habits seem to have suffered any setback today, it is due to (a) the absence of gold standard and gold currency and (b) the indifferent, if not apathetic (although apathy can be proved in some cases) attitude of Government to the industrial growth of this country. The currency policy pursued by the Government of this country has been largely responsible for any hoarding that may be noticeable in the country. After all the so-called hoards are not so great as they are generally made out to be. People have no confidence that they can get back gold whenever they need if once it goes out of their hands; and hence their tendency to keep gold. But after all an import of some 530 crores worth of gold during the last 30 years' period, from 1899 to 1929, cannot certainly be regarded as something abnormal or excessive for a country like this with a population of over thirty crores. The average yearly gold and silver imports of this country are worth 38 crores of rupees; that works at only a rupee and some annas *per capita*. People do not like to invest their money, and it has been already shown that few have any surplus funds to invest in industrial concerns because they see no stability or prosperity for them. Apart from the industrial failures caused by the dishonesty or incompetency of the entrepreneurs, causes which have brought about similar failures in other lands, newly started industries have failed on account of keen competition from the more advanced industries of the West and as

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a consequence people have been unable to see any future for industrial undertakings. Government have been totally indifferent to the industrial growth of this country till very recently. There has been of late some change of attitude on their part, brought about mainly under the stress of the last great European War. Even now the Government are not going as far as they ought to. If people's savings are to be made available for economic and industrial development of the country, Government ought to be out for a more active and vigorous policy of industrial development of the country and set up for that purpose the required protective tariff walls for some time to come.

Government must boldly come forward and decide once for all that India should have a gold standard and gold currency. Unless this is done and unless India is given a currency which has the same value internally and externally the habit of people to hoard gold cannot disappear. The currency of this country having got an artificial value, and industrial investment being uncertain and risky for reasons stated above, people prefer to keep gold, so that they may be able to use it in times of difficulty. There is a sentiment about gold and this country has it in common with the rest of the world. Illiteracy of the people also accounts for the existence of this hoarding habit, but only to a small extent. People will not, however, idly lock up gold when the nation has a gold currency. This country can have it even to-day as we normally have a favourable balance of trade. There is one more thing to be mentioned. In this country joint stock banking is in its infancy and it is in an unregulated condition. Failures of banks during the last two decades have also shaken people's confidence to some extent. There is little co-operation, if any, amongst the few banks that exist and there is no banker's bank in the country to come to their help in time of difficulty.

This question of capital for industrial and economic development of the country naturally brings the committee of this Chamber to another very pertinent and important matter, namely, the operations of foreign insurance companies and foreign banks in this country. It is difficult to say precisely what amount these foreign insurance companies annually make in this country by means of premium collections. They have been doing this for the last so many years. Indians have begun coming into this field only recently. These foreign companies were not even prepared to disclose anything about this till a couple of years back and Government had to make a law for that purpose. We do not know how they invest their funds and what are their assets in the countries of their incorporation. There is no doubt these companies collect vast sums and these are used for the economic benefit of their countries. There is no harm if these companies continue their activity here provided they keep their premium collections in this country, and they are used for the benefit of this country. No foreign insurance company should be allowed to operate here unless it is (a) registered as a rupee company in India and unless it has (b) not less than 75 per cent. of its capital and $\frac{1}{3}$ th of its directors Indian. The committee would further suggest the imposition of the same restrictions *mutatis mutandis* in respect of foreign banks. These are mostly concerned with foreign trade especially such as passes through non-Indian hands. We have no knowledge here of their foreign investments and commitments. It is understood some of these have recently begun to entertain deposits. That their business has been free from any trouble all these years is true, but that gives no security for the future. The committee of this Chamber have therefore to suggest the imposition of restrictions on these foreign banks. The export trade of this country normally averages to some 325 crores of rupees worth and almost the whole of this has gone into non-India hands. The same is true of most of the import

trade. The question therefore of securing this banking business for Indians is an important one. The whole of what these exchange banks are making in the business of financing the export and import trade is going to-day to foreigners.

The committed do not consider that the formation of investment trusts is called for in the present economic condition of this country.

Mr. M. L. DAHANUKAR, Mr. S. H. LELE and Mr. KELKAR, Representatives of the Maharashtra Chamber of Commerce, Bombay.

Oral Evidence.

10002. *The Chairman*: What is the area of operation of your Chamber?—*(Mr. Dahanukar)*: All the Marathi speaking districts of Bombay Presidency including Belgaum.

10003. Are your objects the same as the objects of the Indian Merchants' Chamber?—Yes.

10004. Has your Chamber made any enquiries as regards the finance required in each of these districts for trade or for commerce?—Not elaborately. We have made general enquiries.

10005. Have you any information available now as a result of your enquiries?—Our enquiries were general and we have given our answers in our statement. *(Mr. Lele)*: At present the general finance in the case of Ratnagiri and Colaba is supplied by Bombay commission agents. For Satara also it is the same thing.

10006. In Satara town we were told that a sum of about rupees twenty lakhs is required for ordinary trading purposes?—In that case at least to my knowledge 30 per cent. of the capital out of the total capital is being supplied by the Bombay commission agents on their personal credit.

10007. Is it not easy to prepare an estimate?—No; we have to go and ask each commission agent to what extent he finances. These agents will not give out the business secrets. *(Mr. Dahanukar)*: We have replied in our statement with regard to this question which runs as follows: "It must be noted, however, that generalisations from stray studies would be misleading and unless proper surveys are carried out by the State, such estimates, howsoever ingenious they may be, are bound to be imperfect and often little better than guesswork."

10008. In your statement you make a distinction between a *shroff* and a *soucar*?—Not very much.

10009. And in the village you make a distinction between a village *soucar* and a professional money-lender?—There are two or three ways of lending finance. Some financing is done by *soucars*; some is done by *shroffs* and some financing is done by petty money-lenders.

10010. You say that some financing is done by *soucars* and by *shroffs*. Do you distinguish between these two classes?—Not very much. I have said this in a very general way; the object probably of the money-lenders is not the same as that of the *shroffs* and *soucars*. *Shroffs* are more or less bankers. *Soucars* may have as object banking as well as trading, and the money-lenders are purely doing money-lending business without any idea of banking.

10011. You speak about the work of co-operative societies and you say that the progress of the Co-operative Movement is very slow?—Yes; we have given our reasons in our statement.

10012. Would it be safe to hasten the pace at present?—We think that hastening could not be forced, but it will develop automatically as people are more educated and have understood the principle of co-operation.

10013. Has your Chamber any experience about the working of urban co-operative banks?—Our Chamber has not gone into this question.

10014. Are you aware that urban co-operative banks are started to help trade and industries and finance them?—So far as we have seen it has not so done to a very large extent.

10015. As regards financing by Government, does your Chamber think that Government should not do it at all or should only do it in certain cases like agricultural improvement?—The Government are giving at present *taccavi* loans and other loans under the Agriculturists' Loans Act. If Government recognise *shroffs* as is suggested by us and if financing is done by *shroffs* satisfactorily and to the advantage of agriculturists, I should think that Government should concentrate their whole energy towards one direction and should not divide it into very many fractions.

10016. Do you think that *shroffs* would be able to provide long-term finance?—It would all depend upon the management. It would be watched as an experiment in the first place.

10017. I am referring to the *taccavi* for land improvement?—I think the Government *taccavi* should be continued for some time until the *shroffs* can go on well.

10018. You are speaking about the linking up of respectable *shroffs* with the new banking organization of the country. Will you develop this answer and let us know how you want them to be linked up?—We have dealt with the question of indigenous bankers in our statement.

10019. You say: "If a *shroff* is to receive any help, as indicated above, it naturally follows that he should be subject to certain restrictions". What is the help he wants and how is he going to be linked up with the general banking organization of the country?—I shall give you a general idea that *shroffs* should be recognised as guarantee brokers or agents of certain banks.

10020. Do you support the proposal of the Indian Merchants' Chamber?—Yes.

10021. Is your proposal exactly the same?—Yes.

10022. Speaking about *shroffs* you say: "He is not very progressive, perhaps he is a bit narrow-minded, at times even grasping and not often uneducated"?—We have said this in general in order to show that he is not a fully modernized banker although he is carrying on the business of a banker.

10023. Further you say that a *shroff* is usually a merchant-banker?—We merely refer to *shroffs* as more or less doing banking.

10024. You say: "The *shroff* is still a merchant-banker". I want to know whether you suggest the agency to be given only to *shroffs* who are doing purely banking business or also to *shroffs* who are trading as well?—I think they should not be restricted from trading but we have mentioned certain checks which run as follows: "If a *shroff* is to receive any help as indicated above, it naturally follows that he should be subject to

certain restrictions. For instance (a) his books and accounts should be open to inspection and audit by proper authorities (b) and it should be obligatory on him not to speculate or deal in futures."

10025. How would you control him from speculating and dealing in futures?—There would be rules and regulations under which financial help would be given to him by a State bank. The bank should devise such rules and regulations as would control all the affairs in that respect of a recognised *shroff*.

10026. Do you say that he should not speculate with his own money?—We have suggested this restriction because if he speculates and loses the money naturally the principal bank will suffer.

10027. You say you approve the system of licensed warehouses. Where will you have them?—At railway stations to begin with. We have suggested this transfer business mainly on railway stations where the goods are generally received and because there will be no extra freight or cartage charges and the whole thing will be done very economically without increasing or adding any further charges. Therefore we have not suggested warehouses in docks or in ports.

10028. Should there be Government control over these warehouses?—I do not think that there is any necessity for Government control because this is done by a semi-Government institution.

10029. Are there many industrialists as your members?—There are.

10030. Have they brought to the notice of the Chamber any difficulties about finance that they have?—They have brought their personal grievances very often and we have ventilated these in our conferences and we have made various recommendations to Government.

10031. What do they want?—They want some sort of State aid protective duties, etc. Of course no bounty is urged by any of our industrialists on our list. But protective duties and certain other facilities and concessions are certainly sought and financing their business against both the block security and finished goods.

10032. You mention some small industries like embroidery work, toy-making, cane-work, rope-making and paper-box making. Is toy-making done anywhere on a large scale in the districts you represent?—Toy-making and other small industries are done not on a large scale but they are only supplementary.

10033. Where is toy-making industry to be found?—We have it in Sawantwadi. We cannot mention them as regular industries, but they are only supplementary industries.

10034. Do you think that these industries could be introduced in other places as supplementary industries?—It cannot be said now.

10035. Can you tell us how the establishment of gold currency is going to prevent people from hoarding?—When a lot of gold coins will be prevalent in the market, certainly people will not like to have investment in ornaments which, of course, is thought as hoarding, but I do not call it hoarding. I only call it as a sort of saving, but then this also will not be done as it is being done to-day. If gold currency is established people will have more confidence.

10036. You think that in that case no gold will be hoarded?—No.

10037. Was gold hoarded some years ago when gold sovereigns were in use?—Might have been.

10038. When exchange rate was Rs. 15 or more did people keep their surplus in a bank more than what they are doing now?—This surplus money is a very broad question.

10039. You cannot have hoarding unless you have surplus?—I do not think that people would preserve gold when they have surplus money. If there be gold currency and if it be of a permanent nature this hoarding habit will not be keen and will be very little, if it at all be there.

10040. *Mr. Kamat* : Has your Chamber direct importers and exporters amongst you?—We have a few of them.

10041. What is the principal article imported directly in Maharashtra?—(*Mr. Lele*) : Aluminium sheets, iron, corrugated sheets, quick-silver, and cement; and the principal articles exported are oil-cakes and seeds.

10042. Do these exporters deal with the exchange banks?—Yes.

10043. Have they any complaint against them?—They have complaints against them so far as their insurance policies are concerned because whenever we go to a bank with our bill of lading and all other papers, they say “you must get your policy insured by an English insurance company and not by an Indian insurance company”. (*Mr. Dahanukar*) : It is a very acute grievance.

10044. About the *shroffs* you said that they are merchant-bankers. So far as you know, in Maharashtra is there any class of people who do money-lending and money-lending alone?—I think there are some *shroffs* who do money-lending business alone.

10045. What must be the percentage roughly?—It is not ascertainable.

10046. Is it negligible or very large?—Not negligible, and not even very large.

10047. Will it be about 30 per cent.?—I cannot say this definitely.

10048. In the villages is there any class of people who do money-lending alone?—We have not gone so deep into this question.

10049. I want to know whether there is a class like that which could be isolated so that we could think of them?—(*Mr. Lele*) : Generally the system in the village is that a *sowcar* does money-lending as well as trading.

10050. This means he is a composite entity?—Yes.

10051. I am asking whether there is a class of bankers as such in villages?—(*Mr. Dahanukar*) : There is a class of bankers who carry on banking on a very substantial scale. (*Mr. Lele*) : But side by side they do the merchant business also.

10052. In their general business is their occupation buying and selling *hundis* or money lending alone?—(*Mr. Dahanukar*) : Buying of course.

10053. Take for instance Poona. Those who go under the style of *shroffs* do general business of which banking is a part which is the principal one. Do they derive their annual profit mainly from their commission agency business or from banking?—Banking is their main business and all other business is minor business.

10054. Which is the major business and which is the minor business?—(*Mr. Lele*) : It depends generally on the circumstances. The business is simultaneous.

10055. If money-lending may be the major business, and if he is to get financial help from the Imperial Bank as an agent, would you restrict him to do the business of money-

lending only and give up other business?—(*Mr. Dahanukar*): We have said that he should not speculate. He can carry on his own business.

10056. Because, perhaps in that case, that would stop his really major business?—We would not go to that extent. We would only say that he should not do speculative business.

10057. Taking these *shroffs* as you yourself have described them, would they be willing to employ a man for general office management, a man who is trained in accountancy and general principles of banking, if they are appointed the agents of the Imperial Bank?—(*Mr. Lele*): We would not accept that restriction either. (*Mr. Dahanukar*): We would not make a condition that he should employ such a qualified man. He should be left at his own discretion, and he will be modernised gradually, and he will have such a qualified man, but there should be no restriction.

10058. He will take twenty years to be modernised if he is left to himself. Would you not compel him to engage such a trained man for efficient management?—I can realise that for efficient management it would be desirable to have such a trained man; but I would not go so far as to compel him.

*10059. *Mr. Buckley*: In your statement, you speak about restrictions on foreign banks and insurance companies. What restrictions would you suggest?—(*Mr. Lele*): We suggest that no foreign insurance company should be allowed to operate here unless it is registered as a rupee company in India, and unless it has not less than 75 per cent. of its capital and three-fourths of its directorate Indian. They should be Indianised.

10060. Do you think it is a feasible proposition?—Certainly by all means.

10061. What is the idea behind your mind when you say in the last lines of your statement: "The committee do not consider that the formation of Investment Trusts is called for in the present economic condition of this country"?—We think industrially the country is not yet sufficiently developed.

10062. Do you think the idea is premature?—Yes.

10063. *Mr. V. L. Mehta*: As regards the opening of branches of the Imperial Bank, we have received conflicting evidence, and we should like to know what your experience is. Are your members generally satisfied with the kind of accommodation they receive from the branches of the Imperial Bank upcountry?—(*Mr. Dahanukar*): We do not think that they are satisfied; and, probably the branches of the Imperial Bank are very costly and are not working satisfactorily, and we do not think the traders and commercial people also are satisfied with the accommodation they get.

10064. Is it the general feeling that they do not get the type of facilities that they require?—Yes. Probably the management does not grasp or cannot grasp the needs of the local people, and that is why this difficulty has remained all along. And besides all these, as we have already stated in the statement, in the present conditions banking will be carried on economically only with the help of local *shroffs* and not by spreading branches of the Imperial Bank or other joint stock banks.

10065. Do you think the small industrial concerns in Maharashtra require an industrial bank to finance them? Has there been any proposal for starting an industrial bank?—There was a proposal, and in the absence of material before us, we have not considered this point, but such a development would be necessary at a later stage.

10066. I want to know whether, in your opinion, the problem of financing these concerns can be met by the existing agencies, or do you think an organisation like an industrial bank is required?—It is necessary.

10067. But you are not prepared to put forward any scheme at present ?—No.

10068. With regard to your remarks on co-operative societies, I wonder if there is a feeling in your mind that if business people or public leaders of responsible type associate themselves with the Co-operative Movement, it might do better ?—What we say is that co-operative societies will develop, but it will take some time till people would appreciate the principles of co-operation.

10069. It has been suggested that the experience and knowledge of *shroffs* might be enlisted for the promotion of the Co-operative Movement. Is it possible, or do you think it is not feasible ?—We think these two institutions should work separately.

10070. *Professor Kale* : In your statement, you say that 20 per cent. of the population lives in towns. Where did you get this figure from ? The Census Report gives 10 per cent. ?—(*Mr. Kelkar*) : I got it from the Note of Dissent by Professor Burnett-Hurst to the Economic Enquiry Committee Report : “ Besides, statistics can be collected more easily where population is concentrated (*i.e.*, in cities and towns) than where it is scattered (*i.e.*, in rural areas). In England and Wales about one-fourth of the people are urban residents, while in Australia three-fourths of the inhabitants are classed as ‘urban’, and in each of other Dominions about half of the population is so classed ; on the other hand, only about one-fifth of the inhabitants of British India resides in towns. ”

10071. I think it desirable you should verify your figures from the Census Report. You say that no facilities should be given by Government for enabling the people to invest in State loans or other securities. Assuming that Government wants money for productive purposes, you do not probably want the Government to borrow ?—(*Mr. Lele*) : No.

10072. How is the Government to carry out its borrowing programme ?—While writing this, probably we had in view the investment by the middle class people and not by higher class people. So probably we were suggesting that the middle class people should not go in for these, and that they should restrict themselves to such kind of investment as we have suggested.

10073. What opening is there for the middle class to invest ?—We have suggested that they should deposit their money with the recognised *shroffs*, and they shall receive the same income or even a little more than they would get by investing in Government paper or cash certificates.

10074. If the *shroff's* rate of interest on deposits is four or five per cent., and the general market rate is six per cent., naturally you cannot expect the middle class people to go to *shroffs* rather than to Government ?—That is sometimes the case ; but from my experience, I can say that the rates of *shroffs* are many times better than the rates offered by the State.

10075. But the evidence we had has been opposite. We have been told that the *shroffs* rate is $4\frac{1}{2}$ to 5 per cent. and the market rate has been very high in India, and that is why the people have been attracted to Government securities rather than to *shroffs* ?—I think this position may be in a few places ; but our experience is different.

10076. Do you not think that if the general market rate of interest had gone up, the *shroffs* also should have raised their rate on deposits ? It is a question of competition to attract money, and if the *shroffs* have failed, they have failed in adjusting themselves to the condition of the market, and that is why they have lost some of their deposits ?—At times these banks also compete with the business of *shroffs*, and therefore, sometimes

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10076. The reason why the *shroffs* give low rates on deposits is that when a man invests in a bank, he deposits the sum for a specified time, say three months or six months, but when he deposits the sum with a *shroff*, he makes it a condition that the amount should be returned whenever he requires it, and that is why the *shroffs* allow a low rate.

10077. In reply to the Chairman you stated that if gold currency is put into circulation by Government, there would not be much hoarding. Is it your idea that some people in any case are hoarding to-day, because they are not sure of getting gold whenever they want it, and that if there is gold currency they will have that certainty, and that it would be possible to reduce or discourage hoarding?—(*Mr. Dahanukar*): Quite so; but there should be a permanent gold currency established and not for the time being or for a particular purpose.

10078. *Mr. Desai*: You have expressed your views how to link the indigenous bankers with the Imperial Bank. But many of the witnesses have complained to us regarding the very constitution of the Imperial Bank. I put it to you that the constitution of the Imperial Bank is hybrid, because it is neither a bankers' bank nor a shareholders' bank, and in a short period its charter will be reconsidered. Now I place it before you whether its charter should be renewed or a new State bank should be constituted?—Personally I have very definite opinion about the Imperial Bank. The Imperial Bank, as it is constituted, is going against the whole economic policy of the country. The Government money is deposited there without interest and a lot of money is lying idle there, and it is not utilised for the indigenous trade and industry of the country. I very strongly feel that a State bank be organised. The Imperial Bank will then just remain as a shareholders' bank, and the State bank will look to the economic development of the country, and become the bankers' bank and as such the idea of a State bank would be quite welcome and practicable.

10079. In that case, is it practicable and possible to hand over the agency of this Reserve Bank to the indigenous bankers as you have suggested?—Yes.

10080. *Mr. Chikodi*: You refer to the amendment of the Dekkhan Agriculturists' Relief Act, and one of the amendments you propose is that the Act should be so amended as to allow a claim in respect of a trade debt due to the Bombay merchant to be triable by Bombay courts. That is to say, you mean that the upcountry people should come to Bombay?—(*Mr. Lele*): Yes.

10081. Will not that be a hardship to the upcountry people?—In that case the cause of action takes place in Bombay, as we are sending goods from Bombay and goods are sold in Bombay. The Act is so framed that the Judges have no course other than to dismiss the case.

10082. Are you discussing a law point with regard to the cause of action, or hardship?—I am referring to hardships only.

10083. You have mentioned that the Bombay merchants have to go down to the *mofussil*. Will there not be the same trouble for merchants or people in the upcountry to come to Bombay?—We do not think they will have as much hardship as we are getting. (*Mr. Dahanukar*): The whole point to which we are referring in this respect is that the money advanced to agriculturists in their trading capacity and taken for trading purposes especially from the Bombay merchants and commission agents should not be treated as a loan under the Dekkhan Agriculturists' Relief Act, but it should be treated separately as an ordinary loan, and should be treated similarly as in the ordinary civil court. We do not suggest the Dekkhan Agriculturists' Relief Act to be dropped.

but we want it to be so amended as to make it quite definite and clear that no hardship should be created on the trading people who are allowing credit or lending money to the agriculturists only with a view to their trading side, and further, I would add that the effect of the Dekkhan Agriculturists' Relief Act is that the agriculturists have lost their best credit with the best money-lenders, and they have gone into the hands of such people, who have done them more harm than good and thus the very object of the Act is being defeated.

10084. You say : "The peasant has to dispose of his produce practically at any price he gets as he has not got the waiting patience." In some of the local enquiries made by the Indian Central Cotton Committee, it has been suggested that this is not the case. Have you any practical experience of this ?—(*Mr. Lele*) : We have no practical experience.

10085. Then what you have said is only a hearsay. Have you any correct knowledge about it ?—(*Mr. Dahanukar*) : Not specific knowledge, but general knowledge.

10086. In the evidence that was laid before this Committee in Sholapur and other places, the weavers complained that they are not getting sufficient financial facilities for their industry. Would you make any practical suggestion as to how to give them financial facilities ?—We have not considered this point. The point will have to be referred to the committee.

10087. Are you in favour of exporters from Bombay or any other part going down to the villages and making purchases directly from them or are you in favour of employing village *sowcars* for doing this business for them ?—We have not thought over this question also.

(The witnesses withdrew.)

Mr. RAMADEV PODAR of Anandilal Podar & Co., Banker.

MEMORANDUM.

The views presented in this statement although relate mainly to questions 7 to 11 under Section II, they still cover a wider range of questions which it is impossible to avoid in an attempt of this nature.

The first point that I wish to state is that a large part of the country's wealth is both shy and unproductive. If only this wealth could be induced to flow into channels of production, it means a great advance. The introduction of a gold currency together with a gold reserve located in the country would be a great inducement for the unproductive wealth to become productive, as it will create confidence in the minds of the general public.

Although the *mahajans*, *shroffs* and *sowcars* are commonly known as the only class of indigenous bankers, in my opinion there are many others who, though not openly engaged in this business, still participate in it. In this country where the indebtedness is large, both in the extent of money involved as well as the number of men who seek accommodation, people engaged actively in money-lending are many times more than the number of *mahajans*, *shroffs* and *sowcars* who are openly doing the banking business. I therefore cannot share the view that the *mahajans*, *shroffs* and *sowcars* are alone responsible for existing evils of the indigenous banking system. Here and there some

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unconscionable transactions come out so prominently before the public, that the public which consists more of borrowers than lenders, easily exaggerate the harms under the existing system. But if one considers all points of view the *mahajans*, *shroffs* and *soucars* are more useful to the community than is apparent. The evils of the system are more the result of a want of a co-ordinating organisations than that of any deliberate mischief on the part of the indigenous bankers.

The borrowers and the security which they usually pledge are of various kinds differing largely from one another. Distribution of wealth being uneven, the Hindu joint family system of life not being conducive to the incentive necessary on the part of every member of the family to be economically independent, there is tendency on the part of a great many people to lead lives of ease and no work. This process of living without labouring and having to feed many social and religious customs which entail heavy uneconomic expenditure, there are hardly few not worth counting who can be said to be free from borrowing. The social, climatic and economic conditions prevalent in this country force every man at some stage in his life to be a borrower while some remain debtors all throughout their lives. I think the economic development and progress of an individual as well as a nation is dependent upon the mental, moral and physical training that an individual receives when he is young. Unfortunately, in this country there is a total lack of such training and development. This is not a place to blame anybody for this state of affairs. But I do feel that such a helpless condition would never have existed in a self-governed country. It is due to this lack of timely training that people later are forced to become borrowers for bare sustenance. If timely care is taken to give training as aforesaid, men will naturally refuse to be idlers and borrowers. While, therefore, proper education and training would alone cure many of the existing defects of the indigenous banking system, some thing has to be done presently to organise and improve the present state of this business and to render this class of people more serviceable to the community. I do not believe this could be done by transplanting systems existing in other countries. In my opinion the creation and working of an association on the lines suggested below would go a long way to meet the needs of the situation.

I suggest that arrangements should be made to start an association called the bankers' association. What I have in mind is that money-lending must be regulated and the indigenous banking business as such, I mean the bankers big and small who do money-lending business, must be conducted by means of an association. The membership of these associations should be optional, but if the membership confers certain privileges and facilities to lenders and will watch the interests of borrowers as is intended by the scheme, a sufficient number of bankers would be forthcoming to enlist themselves as members in order that they may avail themselves of the facilities provided by the association. Such an association would also be attractive from the point of view of borrowers. The purpose of these associations, which shall be formed in the first instance in all urban areas, shall be to control, develop and systematise the practice of money-lending. The association will have its own elected executive.

The association shall introduce certain prescribed forms simple and standardised, and in vernacular wherever necessary, for the purpose of evidencing contracts between borrowers and lenders. A copy or a counter-part of such agreement should always be given to the borrowers at the time of advance.

The membership shall be open to individuals or firms doing this business and willing to pay an admission and an annual fee. The association shall have a tribunal consisting

of three members, of whom one is to be appointed by the bankers' association, the second to be the nominee of the Government, having sufficient experience of legal practice and procedure. The third member is to be appointed by the borrower concerned in each case, and if he fails to do so, the two standing members of the tribunal shall appoint a representative for him after giving him due notice. Government nominee should preside over the tribunal. The period of office of each of the standing members of the tribunal shall be 2 years, but in no case should a member of the tribunal be eligible for appointment, consecutively for two terms. This tribunal shall not arbitrate on matters, where the forms prescribed by the association are not used. As regards the members' cases, the fees for each case arbitrated shall be very small, while in cases of dispute between non-members the tribunal can also give its award on payment of certain higher fee, but in no case will such fees exceed half the amount of fees payable in respect of such claim in a court of law.

Advances shall be made on personal or joint credit and on securities to be particularised by the association, making at the same time impossible, for artisans, workmen and peasants to pledge their tools of trade, house-hold utensils and wearing apparel and life insurance policies, assigned for the benefit of family. Such articles, as aforesaid, should not also be made available for attachment. Rate of interest shall not exceed one pice per month for every rupee advanced in case of transactions below Rs. 1,000 and 12 per centum per annum in case of transactions exceeding Rs. 1,000. Interest can be compounded only yearly, if the amount of interest is not paid within thirteen months from the date of advance. Even if higher rate of interest is agreed to, the tribunal should allow only such maximum interest rate as is already stated. The executive should take disciplinary action against members charging higher interest and evading the rules of the association.

Repayment of the advance should be made in terms of the agreement failing, which the parties concerned shall refer the matter to the standing tribunal, whose award shall be final. The courts of law should entertain suits regarding claim relating to transactions entered into under the rules of this association only when they come as appeals challenging the award of the tribunal.

I have stated above what I consider to be the remedies for the defects in the existing system of indigenous banking. I now propose to deal in brief as to the way by which some of the more prominent indigenous bankers could be helped to do their business more efficiently. There are bankers who are doing business on a large scale and who but for the competition particularly of the Imperial Bank of India and the foreign exchange banks are not able to develop into full-fledged banking institutions. I think, therefore, if facilities are afforded to these individuals to get more resources on the one hand, and help them out of very keen competition on the other, it will be a great step in the development of indigenous banking. These people should be induced to convert their concerns into limited liability concerns, and whenever possible, they should be asked to be agents for the Imperial Bank of India and whenever there are such small banks. The Imperial Bank should advance moneys on the strength of bills and securities held by these banks. Foreign banks should also be prohibited from extending its operations in the upcountry. These private banks who know the local conditions better than the managers of the branches of the Imperial Bank, who generally lack such knowledge, will surely render better service to the people. The management of the local private banks being in the

hands of a number of respectable people of the locality, technically known as the directors, the interests of the Imperial Bank are surely safe. In order that these private banks may attract deposits, the Government should discontinue the present system of issuing post office cash certificates, and Government should also arrange to meet its capital requirements, by issuing loans and debentures of higher denominations, so that they can be absorbed by banks, insurance companies and private individuals and firms of means and standing. If the above-mentioned suggestions are accepted, I think that not only would the existing number of indigenous bankers who are already rendering a great service to the country would do greater service, but crores of rupees which are now lying idle for want of better employment would become available in banking business. Although Government intervention is suggested in some spheres, it is done for want of a more practical solution. The idea is to make it a voluntary organisation, the respectability of the profession and privileges of membership of the association being sufficient to make more people enter into the line and to make those who are already in this business to become members of the association. The scheme is not intended to benefit one class of people at the expense of the other. I am sure that not only the lenders and borrowers but every class and section of the people, the agriculturists, industrialists, the merchants, bankers and labourers and for that matter, every one would be benefited considerably. Prolonged and expensive litigation would be avoided. Process of recovery will become very easy. Cases of extortion would become rare. Rates of interest would become more reasonable. The profession of banking would become more dignified.

Oral Evidence.

10088. *The Chairman* : You have a firm of bankers ?—Merchants also.

10089. What business do you do besides banking ?—Cotton business.

10090. Cotton is your main business ?—Cotton is our main business, and we deal in money also.

10091. Do you receive deposits also ?—We receive deposits.

10092. Issue *hundis* also ?—*Hundis* for our business purposes only.

10093. So, your main business is cotton ?—Yes.

10094. You have made an interesting suggestion about the starting of a bankers' association. I should like you to develop that a little. Do you want a bankers' association for a big town like Bombay or the one for the province or a central association for the whole of India ?—There must be one central organisation to link up the provincial organisations to which the bankers' association in each and every town shall be affiliated.

10095. You suggest that the association should control, develop and systematise banking business. It seems there is already a bankers' association ?—Not of this type.

10096. How would you control the business ?—By framing rules and bye-laws.

10097. You suggest that association should introduce prescribed forms ?—I mean here for the business of money-lending, so that there might be no confusion on the point of interpretation. We read in papers sometimes that some bankers claim more than what is due and so on.

10098. You suggest the introduction of prescribed forms and fixing the rate of interest also ?—The prescribed forms are for the receipt of deposits. Receipts should be given in prescribed forms for any dealings in money.

10099. The second thing is to regulate the rate of interest ?—Yes.

10100. Except in these two ways —prescribed forms and regulation rate of interest— do you want the association to control the business in any other way?—That we can consider after the association is formed.

10101. When you want to start an association, you must state its main objects?—Indigenous banking will be encouraged thereby. If there are certain rules, people will feel that their money is safe in that way.

10102. What about the control?—By means of the association we can control.

10103. What sort of control?—If there is any dispute it will be referred to that association.

10104. *Mr. Chikodi*: You say that the executive should take disciplinary action against members?—Yes, for charging higher interest, etc.

10105. What kind of disciplinary action?—They may frame rules as to the penalty that should be imposed.

10106. *Mr. Desai*: On the same lines as the East India Cotton Association does?—Yes.

10107. *The Chairman*: The present association do control the rate of interest?—They do not.

10108. I am not quite clear as to what you want this association to do except introducing prescribed forms, regulating the rate of interest and establishing a tribunal?—When we form this association, if you approve of it, details will be settled later. There are now many cases going to court with regard to recovery, rate of interest and so on. Many cases purely of a banking type can be settled without going to court.

10109. The main idea is that the association should be started to settle disputes?—Yes, by that way banking business will be more encouraged.

10110. Then, you suggest that even non-members should have the right to appeal to this tribunal?—Not to appeal, but in the first instance they will settle their cases through this tribunal.

10111. What will be the difference between members and non-members?—Suppose there are non-members who had not joined but had used the prescribed forms the tribunal should give its benefit to them. It will then become popular.

10112. You state: “Advances shall be made on personal or joint credits and on securities to be particularised by the association”. You then impose certain restrictions?—I have mentioned them there. Perhaps some more may be added.

10113. Do you think it possible to control the interest?—Why not?

10114. They say that on account of the Dekkan Agriculturists' Relief Act, really a higher rate than what it contained in the document is charged?—It is possible.

10115. What would happen then?—If they charged more interest the case will go to the association, which will take the necessary disciplinary action against the member for breach of rules. Then the rate of interest will be reduced.

10116. On the next page you say that appeals would lie against the award of the tribunal?—Yes, if the parties are not satisfied they can go to the court.

10117. So, the decision of the tribunal is not final?—No, that is subject to appeal.

10118. How would this fact of disputes being referred to the tribunal make indigenous bankers more efficient?—They can recover money at the fixed time and in this way money-lending business will automatically be encouraged.

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10119. Then you go on to suggest that these people should be induced to convert their concerns into limited liability concerns?—There are many people who do merely banking business individually, and they can combine.

10120. We are told that in the districts they do not like the idea of combination?—Some of them would like to combine also. It would be more economical if, instead of the Imperial Bank opening a branch, these *shroffs* are induced to convert their concerns into limited liability concerns.

10121. Are there *shroffs* here who have started limited liability concerns?—I have no idea.

10122. Partnerships?—There are partnerships.

10123. You then say: "Government should also arrange to meet its capital requirements, by issuing loans or debentures of higher denominations" You do not want the poorer classes to buy these securities?—The poorer classes must go through bankers.

10124. They should not be allowed to buy Government securities direct?—They should buy securities through bankers for small denominations.

10125. Why should they not go direct and save the charges of the middle man?—Nominal charges for the middleman. The bankers have got their constituency of small people and these men can get it through their bankers.

10126. What denomination you think should be the lowest?—Five thousand.

10127. As regards poor people They will deal through their bankers.

10128. You say that apart from *shroffs* and *mahajans* there are other people who are lending small amounts of money?—Yes, they are not *shroffs* or *mahajans* or *sowcars*.

10129. They lend among their relatives?—Not only amongst relatives. There are also other professional money-lenders. There are Pathans, for instance.

10130. Pathans are the only professional money-lenders?—Men who have got some saving also lend money.

10131. Is the business done by them on as large a scale as *shroffs*?—Yes, if you go to a village, there will be four or five shops and there are quite a large number of other men who lend money.

10132. You say: "The evils of the system are more the result of a want of a co-ordinating organisation than that of any deliberate mischief on the part of the indigenous bankers". Can you suggest how the organisation is to be constituted?—Yes, the Bankers' Association.

10133. Mr. Kamat: We have been told that during the last few years the business morality has gone down?—Business morality has not gone down.

10134. We have also had it stated before us that during the last two years there has been a more frequent resort to insolvency courts?—It must be due to greater fluctuations after the war.

10135. In these insolvency cases do *shroffs* figure much?—Not particularly *shroffs*; other professionals also.

10136. Have some big *shroffs* failed?—Yes; some.

10137. That shows that even *shroffs* who appear big may also fail?—Because they advance money to some people and do not recover it in time and for that thing they have failed.

10138. That possibility also has to be taken into account in venturing this proposal?—if they convert their concerns into limited liability concerns, their books and accounts will be accessible to anybody. They have to publish statements weekly or at certain periods. It is like a bank. Even many banks have gone into liquidation. I stick to my opinion.

10139. *Mr. Buckley*: The proposal before us has been that some individual *shroffs* or combination of *shroffs* should be appointed agents of the Imperial Bank of India. Your suggestion is that some *shroffs* should combine and form into a limited liability company. In the former case they are responsible for any loss to the full extent of their means, but you now suggest only a limited liability?—In an unlimited concern we do not know the exact financial position. In a limited concern we can examine the books and have an idea of the financial position. This I think fair.

10140. *The Chairman*: From whose point of view?—From the public point of view.

10141. *Mr. V. L. Mehta*: Have you got much business in upcountries?—I have some cotton factories.

10142. We have been told that in upcountry centres the *shroffs* hesitate to give two signatures whenever they want to borrow from the Imperial Bank and also hesitate to pledge their goods to the bank and it puts up its board. If there is no such prejudice in Bombay why do upcountry bankers hesitate?—If the financial position is secure there is no harm in giving two signatures. If the financial position is weak then he hesitates.

10143. Here even among commercial people there is not much prejudice against the Bank putting up the board for the goods in their possession in godowns?—Generally they do not like the Bank to put up the board, but some allow the Bank to put the board inside the godown.

10144. Then you say that one object of the association you suggest should be to regulate the rate of interest. Amongst *shroffs* themselves, whether he is a *marwari shroff* or a *Multani shroff*, the association regulates the rate of interest. Does it not?—They fix from time to time, but I say generally for their members only and not for the general public.

10145. For the customers?—Yes, but not for the public.

10146. For the customers the existing association does not regulate the rate of interest?—No.

10147. Then you go on to say: "It is due to this lack of timely training that people later on are forced to become borrowers for bare sustenance. If timely care is taken to give training as aforesaid, men will naturally refuse to be idlers and borrowers." How could this position be changed by education?—If people are trained in the proper way they will be able to earn their livelihood, enrich their country's wealth and develop banking business.

10148. *Professor Kale*: Is there any difference between *mahajans* and *shroffs*?—*Shroffs* are those who are dealing in money only. *Mahajans* do business as well as deal in money.

(The witness withdrew.)

The Committee then adjourned till Monday, the 23rd December 1929.

Mr. Ramadeo Podar.

Monday, December 23rd, 1929.

BOMBAY.

PRESENT :

Mr. J. A. MADAN, C.I.E., I.C.S. (*Chairman*).

Mr. L. D. L. BUCKLEY.

Mr. P. R. CHIKODI.

Mr. H. V. DESAI.

Professor V. G. KALE.

Mr. B. S. KAMAT.

Mr. V. L. MEHTA.

Mr. R. P. MASANI (*Secretary*).

Mr. G. V. BEWOOR, I.C.S., Postmaster-General.

Replies to the Questionnaire.

SECTION III.

(a) So far as the post office is concerned there are two institutions in existence, viz. the post office savings bank and the post office 5-year cash certificates. The post office savings bank is one of the oldest institutions in this country for encouraging the habit of thrift and investment.

(b) Yes. Formerly the annual limit for deposits in the post office savings bank was Rs. 200 while the total amount that could be deposited by any one depositor in his account was Rs. 2,000. These limits are now Rs. 750 and Rs. 5,000 respectively. Formerly cash certificates could be purchased in the name of a single holder only. Now they can be held in the names of joint holders.

(c) I do not think there is much scope for improvement in this respect ; but, whenever necessary, branch offices in the interior are authorised to perform savings bank work.

(d) Yes. Since the reduction in the purchase price of cash certificates last August the popularity of cash certificates is likely to increase. No further steps appear to be possible at present to increase their popularity.

(e) The post office savings bank affords all possible facilities to the class of public for which it is intended.

(f) The literate middle class are the people who mainly utilise the post office savings bank.

(g) This is being done indirectly by extending the operation of the post office savings banks to smaller places which are mainly agricultural.

(h) Rules 46 to 50 of the post office savings bank (section VI of the Posts and Telegraphs Guide) deal with the purchase and sale of Government securities through the agency of the post office. No fee, commission, or brokerage of any kind is charged for the purchase, sale, safe custody or delivery out of custody of Government securities bought through the post office or for the realisation or remittance of interest on such securities. So long as Government securities purchased through the post office remain in the custody of the Deputy Accountant General, Posts and Telegraphs, under rule 46 (5) (b) and 48 (1), the interest thereon is exempt from income-tax.

Oral Evidence.

10149. *The Chairman* : Mr. Bewoor, you are the Post-master General here ?—Yes.

10150. Can you tell us what is your policy as regards the opening of new post offices ?—The policy is to open post offices wherever they are considered necessary for the use of the public, consistently with the question of the possible income and expenditure incurred.

10151. If you find that a post office is not going to pay during the next, say, two or three years, would you not open it ?—We have a certain method of calculation, according to which we can say whether the anticipated income would be more or less than the expenditure, and if the difference is small, we take the risk of a loss and open it as an experimental post office. We watch for six months, and then if we find an improvement on our estimates and even if there is a loss, we continue the experimental period for six months more. We go on like this up to the maximum period of two years.

10152. As regards savings banks, where do you open them ?— The savings banks are opened only in head and sub-post offices and in branch offices but not in extra departmental branch offices.

10153. What are these extra departmental branch offices ?—The extra departmental postmaster is not a whole-time servant of the department ; the departmental branch postmaster is a whole-time servant.

10154. In opening these savings banks, do you expect a minimum amount of deposits within a year or two ?—There is no such condition. The whole thing is governed by a general enquiry as to whether the people want it or not, and if one or two people want it, we do it, the chief reason being that the opening of a savings bank branch in a small office does not involve additional expenditure.

10155. Have you any information with you now regarding the number of your savings banks accounts in this Presidency, the amount of deposits and withdrawals ?—We cannot say how many accounts are opened at any one time. We can get you information by going through the ledgers, which are maintained in the Deputy Accountant General's office for this Presidency, but the work involved would be enormous. It would mean going through about three hundred volumes, and some of these accounts have been closed or transferred ; but I can give you figures of the total amount of deposits each year and the total amount of withdrawals during each year and the balance at the end of the year. The balance at the end of the year would show *plus* or *minus* result for that year, but it would not show what the total amount of deposits at the beginning of the year was.

10156. Can that be found for each district ?—That can be found not for each district but, what we call, each head office, which has very nearly the same jurisdiction as a revenue district, but there are some variations.

10157. I wonder whether you will be able to give us information about the number of accounts and the total amount of cash certificates in each district ?—I am afraid it will be a tremendous task. We have certain registers in which we enter the cash certificates which are issued. These are about two hundred volumes in each post office, and as each cash certificate is discharged we enter against that particular entry the fact that the certificate has been discharged. If we want to find out to-day how many cash certificates have remained undischarged, it would mean going through all the registers, counting the number and amount.

Mr. G. V. Bewoor.

10158. Can you find out information as regards the amount received?—I can give you the amount of cash certificates purchased, the amount of cash certificates discharged and the balance.

10159. As regards postal insurance, do you insure all lives?—Only Government servants subject to a maximum of ten thousand rupees.

10160. Can you give us information regarding the amount for which lives are insured every year during the last five or ten years?—It can be done. We keep a register in which each man's name is entered and the amount is entered. Unfortunately I have been informed that the fact that the man is dead and has been paid off is not always entered, because the insurance work is done chiefly by the Accountant General; we are merely his branch office or agency.

10161. Can you give us information about investments in Government securities?—Information is available as to the amount of deposit in Government securities each year.

10162. Coming to your statement, would it be possible for your department to say generally what is the approximate percentage out of these amounts which are placed in savings banks or in cash certificates contributed by agriculturists in the district, not any specific percentage, but generally whether these facilities that you are offering are taken advantage of by the people in the *mofussil* outside the urban areas?—My own personal experience is that the class which takes advantage of savings banks and cash certificates is not the *ryot*, but it is the petty trader, the petty contractor, private servants, Government servants and professional men. My personal opinion is that the actual agriculturist has very little money to invest.

10163. That is true, but in one or two districts in Gujerat, we were told that there is now a tendency on the part of the agriculturist to a very limited extent to go in for these cash certificates and savings banks. I want to know whether there is such a tendency now?—I am afraid, I have not noticed it.

10164. We have also been told that many of these agriculturists do not know that they can deposit in savings banks or can buy cash certificates. They are very ignorant, and the question is whether with a little propaganda they could be induced to put their savings, however small they may be, in savings banks or invest them in cash certificates. Is there any propaganda generally?—We do no propaganda at all, except the printed notices in English put up in various places and occasionally in newspapers.

10165. That is for the town people and for the literate classes. Do you think it would be desirable to let the people know what the facilities are?—I cannot say why it should not be useful.

10166. After all your savings banks are opened only in your departmental offices, whereas there will be a large number of extra departmental offices. Would it not be possible for your department to use either these extra departmental offices or other agencies like the revenue officers to receive amounts as savings deposits and to transfer them to the nearest post office or savings bank, as we cannot expect the agriculturist to walk ten miles to deposit a few rupees?—The only difficulty is the question of checks and the procedure. We have to see that in the case of savings banks, which involves money, the man is reliable and he understands the rules. We find that the ordinary extra departmental agent is not always a schoolmaster but a shopkeeper merchant, and we cannot trust him on this point. Another thing is that the

depositor himself is not sufficiently careful of his own interest. For example, there is a rule that when a man deposits in a sub-office, he must receive an independent intimation of the deposit from the head office, and if he does not receive it within a particular period, he should complain. Well, the ordinary depositor pays his money and never worries to complain, and we sometimes find large amounts misappropriated even under the existing system. If we extend it to ordinary village schoolmasters and shopkeepers, the risk is still greater, and that is why we are not anxious to extend this work.

10167. Supposing it were entrusted to the village officers, whose work is checked, as you know, by the higher revenue officers, and who could, if necessary, check these just as they check the payment of land revenue; do you think the danger would still exist?—I am afraid, I will have to study the question.

10168. You say in your statement that there is not much scope for extending the existing facilities in the smaller interior places. A suggestion has been made to us that especially in towns and urban areas the hours of work are very inconvenient for the class of people, who usually deposit in the savings banks, and that savings banks should be kept open for a couple of hours in the morning and a couple of hours in the evening, when the people are free, so that the time will be more convenient for them, and larger amounts would be deposited?—This is done in some places, where people apply, and we keep the office open from 7 to 9 in the morning and 12 to 15 in the afternoon. If there is a real demand, we always do it, but one is not at all sure that there is this demand. The people involved are chiefly Government officers, who have to attend offices early, but, as you are aware, the ordinary offices do not open at 10, whereas our post office savings banks opens at 10, so the public have always time to go to the post office savings bank.

10169. Do you get any general complaint about delay in payment or difficulties raised about identification, or anything of that sort?—No; the ordinary complaint is the delay at the counter, because a man is asked to wait fifteen minutes or half an hour especially during rush times, but payments are generally made at once at the counter, and there is no difficulty of identification as long as the signature agrees. It is only when the signature differs, that identification is necessary.

10170. In the case of a man who cannot sign, do you take only thumb impression?—We take thumb impression, but in that case we have to get identification made.

10171. Has your department made any special arrangement for opening savings banks in labour centres in Bombay and Ahmedabad to enable the labourers to invest their money?—The facility is there, because the post offices are in that area.

10172. Would it be possible to have a sort of an itinerant savings bank, an officer from your department going at certain hours once a week from one place to another?—If the business is promised, I suppose we can arrange it. But I do not think there is any business available.

10173. Not immediately, but supposing people say that deposits would be coming in, if facilities of that sort are afforded, would there be any difficulty?—We should be quite prepared to accept the suggestion of a clerk attending on a pay day to take in deposits of people who have accounts.

10174. Or to open new accounts?—Yes.

Mr. G. V. Bewoor.

10175. As regards postal cash certificates, one complaint, which we have received from the districts especially from the indigenous bankers and the joint stock banks, is that the postal cash certificates compete with them. Do you think the statement is correct?—I am afraid, I cannot say.

10176. A suggestion has been made that the rate of interest is comparatively high, and that if it were reduced, there would not be sufficient cause for complaint?—You are aware that both the savings bank and cash certificate works are undertaken by us purely as an agency. It is not post office work, pure and simple. The question as to what the price of the certificate and the interest should be is not a question for the post office, but it is entirely in the hands of the Finance Department.

10177. There was a decrease in the rate of interest, and there was again an increase in the rate of interest. How did it affect the amount coming in?—Yes, it affected the amounts very much. The prices have varied from the 1st of April 1917 up to the present time. They were :

	Rs.	a.	p.
1st April 1917 to 1st April 1923	7	12 0
1st April 1923 to 1st April 1926	7	8 0
1st April 1926 to 1st July 1927	7	12 0
1st July 1927 to 1st August 1929	8	0 0

It is now again Rs. 7-12-0 for Rs. 10.

I believe you have been supplied with the sale figures for the various years. If you compare the sales at the time when the prices went up or down, you will notice the changes in the amounts deposited. I have the figures for the Bombay circle. In 1922-23 the sales were Rs. 16,82,920. In 1923-24 they were 158 lakhs. Thus from about 17 lakhs in 1922-23 they went up to 158 lakhs as the price was reduced from Rs. 7-12 to Rs. 7-8. In 1924-25 they were 166 lakhs and in 1925-26 they went up to 293 lakhs. But in 1926-27 when the price was put up, the sale fell down to 224 lakhs. Next year they fell to 171 lakhs. I have no figures for 1929, but undoubtedly, they would be less.

10178. It has been suggested to us that these cash certificates would be more popular, if the interest were made payable from the first quarter?—I dare say it would be; but the whole object of the cash certificate is to save money, and if a man can put money and take it after three months, it would be a current account. The idea is that it should be a sort of saving for at least twelve months.

10179. Do you think it would be possible to introduce the cheque system for withdrawals from savings banks. Now a depositor has to sign a withdrawal form. Would it be possible to have cheques instead of withdrawal forms—cheques which could become current?—I could not tell you whether it has ever been suggested before, but personally I have no objection, if the cheque is made current. Ultimately the cheque will have to be presented at the post office, and it will be paid if the signature agrees with the signature in the book.

10180. Do you agree that the system of transferring money from one savings bank to another in Germany should be adopted here? If a man has two accounts, one in Bombay and one in Poona, he can in Germany transfer any amount from one account to another account by paying a small commission. Suppose he has his accounts in Bombay and in Poona having ten thousand in one and five thousand in another, and he wants

to send five thousand from Bombay to Poona, he issues a cheque and pays a small amount in Bombay just as it is done in the case of the Imperial Bank ?—Under our rules, a man cannot have more than one account in the savings bank.

10181. Apart from that, would it affect your money order business ?—I do not think there would be any objection.

10182. If he had not this facility, and if he wanted to send the amount to the post office, the only other alternative would be money order ?—Money order or an insured letter.

10183. Is there any particular season when your savings banks have large deposits and particular season when there are exceptional withdrawals ?—The only seasons are in the beginning of the month and end of the month. Deposits during the first ten days and withdrawals during the last week are fairly heavy ; but no seasonal variation has come to my notice.

10184. I expect you are familiar with the savings associations in England, in which members can save small amounts, say four annas or a rupee, and are given stamps, and when the total comes to a prescribed amount, they are given postal cash certificates ?—I have heard about the system of what are called savings cards. A man can purchase stamps and stick them on the card, and when stamps up to the value of six pence are stuck on the card, the card is presented at the post office, and the post office cancels the stamps and credits the amount in the savings bank.

10185. Can a similar system be introduced here ?—It can be easily done.

10186. *Professor Kale* : Do you think that the annual limit for deposits in the post office savings bank, which is to-day Rs. 750, is sufficiently high, or can it be raised ?—Rs. 750 is the net amount. I must here make it clear that whatever statement I make is my personal opinion and not that of the Department. My own opinion is that the whole object of this limit is to prevent the savings bank being a competitor with the business banks, and therefore, these limits have been fixed. We receive very small deposits, the object being to encourage very small savings. The maximum has been fixed, so that businessmen may not put money in our savings banks and draw interest on it.

10187. Is there not a check that your interest is low ?—It is three per cent. on a current account ; most banks give nothing on the current account.

10188. But there is a limit for the time of withdrawal ?—It is once a week.

10189. So that makes a difference ?—No ; in actual practice these limits are very rarely enforced. They are only to avoid the worry to the Department for withdrawing every day four annas or eight annas ; but in actual practice if one wants money, we never hold him up unless cash is not available in small offices.

10190. In view of the fact that the post office savings bank is not being taken advantage of to a large extent by the rural population and that it caters more for urban population, do you not think it would be proper to raise the limit ?—I have no objection, but from the postal point of view it will increase our worry. We are purely agents performing the work for payment received from the Government.

10191. You will only ask for a larger staff ?—Yes, because our responsibilities would increase.

Mr. G. V. Bewoor.

10192. I believe, you accept cheques whenever a man wants to deposit money in the savings bank ; do you ?—No ; we accept cheques for the purchase of cash certificates.

10193. Do you think it is possible to give these facilities to the public ?—It is possible ; it could be done for savings bank also.

10194. That would add to the facilities, which exist to-day ?—Quite.

10195. *Mr. Chikodi* : There is a complaint that the amount invested in postal cash certificates and in savings banks is being taken away to the headquarters and is never returned to the district. The proposals are that the same amount should be made available to the public. Will it be possible to do so ?—I do not know what happens to the deposits at all. I do not know where the money goes. We simply receive the money and send it to the treasury, and it becomes a part of the Government money.

10196. The proposal is that this amount should be made available back in the district itself, for example, as loans to approved indigenous bankers. Are there any objections from your point of view to advance such loans ?—I have no objection.

10197. In reply to question (g) you reply : “ This is being done indirectly by extending the operation of the post office savings banks to smaller places which are mainly agricultural.” Since when the experiment has been carried on in agricultural tracts ?—It is always being done ; as we open more new post offices, naturally savings bank facilities also extend.

10198. Have the agriculturists been able to take advantage of the facilities ?—That we do not know. We offer facilities ; whether they take advantage or not, we cannot say.

10199. Will you be able to give some figures at least of these post offices, which are situated in purely agricultural tracts ?—I find that in our ledgers, we merely enter the name, the father's name, surname and residence of the man. We do not ask a man's profession, when he opens an account. Therefore, if this information is to be collected, in rural post offices, special enquiry asking the profession of the depositors would be necessary, otherwise the information cannot be obtained.

10200. My question refers to this. I do not want information as regards every person, who deposits in the savings bank or purchases cash certificates. But suppose in a village a sub-office or a branch office is opened, the amount of transactions done in both these accounts should be calculated, and from that you will be able to say whether a large business is done or not ?—We can say how much business is done, but we cannot say how much by agriculturists and how much by others, because even in a village there are small traders, small shopkeepers, small contractors, and they take advantage of the savings bank, but they are not agricultural people as such.

10201. *Mr. Kamat* : About the opening of new post offices, has your Department any definite programme that so many post offices should be opened ?—About four years ago we prepared such a programme for five years. We enquired from every district officer what his necessities were. He sent up a list. We made our own independent investigation and we drew up a programme, and we went on opening post offices, watching the development of them for one or two years, and then confirmed some and closed the others. For this circle, that is, the Bombay Presidency, we have so far not only carried our three years' programme, but exceeded it by opening more post offices.

10202. You told the Chairman that if an experimental post office does not pay its way, say for two years, you close it down. There might be some post offices which might

be very very paying and some working at a loss ; do you not think it is necessary to map out a programme on the basis of taking the good with the bad instead of strictly on commercial basis ?—If we do that, what about the funds ? After all, you know that the whole Department is run on commercial basis, and total account may show either profit or loss. If there is a big profit, naturally there is a greater scope for opening post offices in rural areas. But you must remember that the opening of every new post office does not bring in new income. It is only the income transferred from some offices to the new office plus a small amount of new income. Therefore, we have to keep the question of profit and loss in view, and we have done so far as even to accept a small amount of loss.

10203. About these postal cash certificates, what is the net yield per cent. ?—On a cash certificate which is purchased at the rate of Rs. 7-8, if it is kept till maturity, the rate of interest will be Rs. 6-10 at simple interest and Rs. 6 at compound interest. If it is purchased at Rs. 7-12, the simple interest is Rs. 5-12 and the compound interest is Rs. 5-4. If it is purchased at Rs. 8, the simple interest is Rs. 5 and the compound interest Rs. 4-8. That is only when it is kept till maturity. If you want to cash it at various stages, such as after the first year or the second year or the fourth year, the interest varies from Rs. 3-12 for the first year to Rs. 6 after five years.

10204. We have been told that the *shroffs* and indigenous bankers suffer, because the yield is 5·8 per cent. whereas the latest report of the Currency Department tells us that the yield is 4½ per cent. Is it in no case 5·8 per cent. ?—It comes to even 6 per cent. when the rate is Rs. 7-8.

10205. What is the present rate ?—The price was up to 31st July 1929 Rs. 8 for a cash certificate of Rs. 10, therefore the interest works out to 4½ per cent. ; but from the 1st August 1929 the price has again been reduced to Rs. 7-12, therefore the rate of interest will again work out to Rs. 5-4 compound interest.

10206. *Mr. Buckley* : Have you any knowledge as to what extent the millhands patronise the post office ?—They patronise us enormously in connection with money orders.

10207. I am thinking of the post office savings bank ?—I have had no occasion to make enquiries.

10208. Would it be possible to give the information, whether a good number of them patronise savings banks ?—Yes, I can find it out from the post offices in mill areas.

10209. What would be your personal view of the actual mills opening accounts on your behalf and receiving deposits on your behalf ? They would be in a measure sub-agents of your post office ?—I do not see how it can be done. We are quite willing to open a post office in the mill.

10210. Are you prepared to send a man there ?—Yes, I mean we would open a post office if the business justified this.

10211. *Mr. V. L. Mehta* : About the postal cash certificates, is it your experience that many of these certificates are cashed before maturity, or a majority of them are held up till maturity ?—Considering that our deposits in 1924-25 were 286 lakhs and the cashings were Rs. 37 lakhs, and next year deposits were 224 lakhs and cashings were 39 lakhs, a large majority are held up till maturity.

10212. Are there any postal cash certificates which are not claimed after maturity ?—There may be ; we do not know. We do not worry about it at all.

Mr. G. V. Bewoor.

10213. You have the limit of Rs. 5,000 for an individual balance in the postal savings bank, but you put a smaller limit for minors' accounts. What exactly is this due to?—I could not tell you. What I consider is that the idea is that if a man has ten sons, he may deposit five thousand rupees for ten sons, and thus he may have a huge amount.

10214. Would you favour the idea of small amounts in the savings bank being exempt for attachment just as the share of interest of an individual in co-operative societies is exempt?—From the postal point of view, I am afraid, I cannot give any opinion.

10215. About the system of remittance by money orders, the money order commission is on a graduated scale, and it is greater for the smaller remittance. Generally remittances are available at four annas per cent. and if there is no other form of remittance available the people will have to resort to money order, but the charges might work out to $2\frac{1}{2}$ per cent. because if you have to remit five rupees, the commission is two annas?—The chief reason for this is that a remittance of a hundred-rupee money order involves almost the same amount of work as the remittance of a five-rupee money order. The whole work of filing the form, preparing a receipt sending it and entering in the book is exactly the same whether it is five rupees or a hundred rupees.

10216. Would it not be possible to reduce charges for persons making small remittances?—We have fixed one per cent. as our general charge. We make it higher for smaller amount, because we find that more than fifty per cent. is for less than fifty rupees. When you talk of four annas per cent. on the ordinary remittance, you forget that we take the cash to the home of the man, where he is in the village miles away, whereas your four annas is from one industrial centre to another and the man has to go to the bank to receive the money.

10217. You said that there is no general complaint about the dealings of the postal savings banks except that there is an occasional grumbling about the delay at the time of payment at the counter. Are there any complaints or difficulties felt by people about transfer or repayment of accounts at death, when the depositor dies? Are the formalities too rigid?—They are much less rigid than in a bank, but they are somewhat elaborate. Under the rules the Postmaster can himself pay Rs. 100 and less, but in case of higher amounts the Postmaster-General's sanction is necessary. We have to consider not only the fact of the death, but we have to enquire to what community he belongs and whether there are other claimants.

10218. Have you any system of nomination of heirs as in co-operative society?—No.

10219. You said that the post office might have no objection to the funds raised by the postal savings banks and through postal cash certificates being lent out. Would you like to be entrusted with the responsibility of selecting people to be financed?—Certainly not.

10220. Would you like to be entrusted with the money of a Government pawnshop as they have in other countries, where people can pledge articles and take a little bit of money against those articles?—Who will take up the work?

10221. The Postmaster?—I do not think this is feasible. My own view as Postmaster-General is that the post office is being made to do a lot of work, which is not legitimate post office work. We did it in the beginning, but with the spread of civilisation and education our legitimate postal work is increasing, and if we are loaded with all these works of a bank, our main work is likely to suffer. Our chief duty is to deliver letters in time, and all other work is done by us as a sort of agent of the central Government.

(The witness withdrew.)

CURRIMBHOY EBRAHIM WORKMEN'S INSTITUTE.

Note on Millhands' Finance.

It may be, at the outset, pointed out that millworkers with their families make up practically one half of the population of the city of Bombay. The economic progress of the city as a whole, therefore, is closely and inseparably connected with the economic improvement of this class; and it is a wonder how a question of such supreme importance has never seriously arrested so far, the attention of those responsible for and keenly interested in the economic growth on proper lines of this premier city.

A millworker is more or less an unsteady element and commands little credit in Bombay. After coming here it takes some time for him to secure a job and the first payment he receives even when he gets a job after one and a half months. Thus the whole of his first month's wages have to be devoted to repaying the loans contracted by him during the initial period to keep himself going. Thus his life in Bombay begins with borrowing and this necessity of borrowing generally remains a constant factor throughout all his Bombay life. Circumstanced as stated above, he naturally falls into the clutches of usurious money-lenders such as the Pathans and the *marwaris*.

A brief idea of these transactions.

(1) **PATHANS.**—The Pathans lend money to millhands at a rate of interest ranging from 150 to 300. Calculation of compound interest is also common. Ordinarily Pathans do not go in for any pledge as security for the money lent by them. The purpose is served, however, by the threat of his *lathi* which is invariably and sufficiently effective for speedy payments of instalments. In my usual course of effecting settlements of loans taken from Pathans and other lenders by the member workers of co-operative credit societies in my charge I came across a queer experience, and I set it down as an illustration of how the Pathan works.

A worker borrowed Rs. 60. It is a custom to sign a printed bond for a sum increased by 25. In this case it ought to have been Rs. 75. But the borrowing millhand was told that it was Rs. 80 but the actual figure put in the bond was Rs. 104. The amount of one month's interest was deducted at the time of paying the loan. After paying instalments of interest on principal the balance in a few months stood at Rs. 139. The millhand was harassed very much and ultimately came to my office through the managing committee of his society. The whole claim was settled for Rs. 70 because the Pathan realized that his debtor had a support of the Welfare Institute.

(2) **THE MARWARIS.**—The *marwaris'* rate of interest varies from 75 per cent. to 150 per cent. He generally wants some pledge or the security of a person like a jobber. He is a more competent accountant, and he keeps the same account in more than one book. The amounts received in respect of a particular account shown in one book may not appear in another book in which the same account is maintained. This has been a personal experience. Receipts are not usually given and if the illiterate debtor at any times wants to know how his account stands his keennes is more than damped by the most elaborate, intricate and unintelligible circulations that are exhibited to him.

(3) **BANIAS.**—The *bantias* (grain shop-keepers) give credit both in cash and kind; and this class under the existing circumstances has become indispensable to millworkers.

A millhand has not got ready money to purchase his daily necessities. Necessarily he requires credit which he gets from the *bania*; he also requires some petty advances, say one or two rupees in urgent cases, and the *bania* makes prompt payment of the same. It is the satisfaction of this need of the moment that counts and not the rate of interest. As regards the grain given on credit, the rate is higher and interest at the rate of one anna is also charged. But it is the promptness in giving petty advances which is a unique feature which makes the worker like the *bania* most.

(4) **JOBBER.**—The jobber, as a source of additional income, advances loans to men under him. He conveniently plays the double role of a sort of a master and money-lender. This is an unrighteous practice and is a great impediment in the growth of co-operative societies already started in several mills. He also plays the part of a middleman for when he himself is short of funds, he borrows from an outside lender like the *marwari* and lends to the workers at a sufficiently usurious rate. Also, some two or three jobbers combine and do lending business to the extent of ten to twelve thousand rupees.

(5) **MILLS.**—Some mill authorities advance loans to their workers, or allow an outside lender to do so in their mills.

(6) **HAVALLA.**—A workman gets his wages for the previous month generally by the 15th of the next month; but when he gets discharge on the 1st he cannot wait for a fortnight more. In such a case the company pays *havalla* either directly or through the jobber; in either case a discount from 1 pice to 1 anna is charged. This work is done by some co-operative credit societies in the Sassoon group of mills.

(7) **CO-OPERATIVE CREDIT SOCIETIES.**—The total number of such societies which cater to the monetary needs of workers may come to about 100. Almost all of them have been started and conducted as a department of welfare work by the Currimbhoy, Tata and Sassoon firms. The rate of interest is 3 pies per rupee per month which, considering everything, is reasonable at the present time. But the percentage of present membership to the actual working number is very small. The reasons are:—

(1) The maximum amount paid is generally Rs. 50.

(2) Want of satisfactory arrangement of getting promptly petty advances when there is an urgent need.

(3) The difficulty of getting a fresh loan when one previously taken is unpaid.

(4) The contrast between the formalities that have to be gone through in a co-operative credit society and the promptness with which money is available from the Pathans, *marwaris* and *banias* who also supply necessities on credit.

(5) A sort of compulsory dependence both for work and money on a jobber who out of self-interest does not usually favour the growth of an independent institution—a co-operative credit society.

(6) Absence of general organisation of such societies in all the Bombay mills and the lack of personal interest on the part of the management with regard to progress in this respect.

Suggestions as to suitable systems.

At the outset it must be stated that the provision of facile credit in respect of ordinary wages or salary earners should not be the aim of those who desire the economic improvement of such a class of men. The most important thing in such a case is to inculcate

the habit of thrift and educate them to manage within their income. This, however, is an ideal which will be attained only gradually. Under the circumstances that exist at present workers do want loans. Their borrowing habits cannot at present be totally stopped, and credit has to be provided. Consequently the present problem is not to eliminate credit but to regulate it so that the evils of the present bloodsucking and demoralising methods may be substantially minimised.

SUGGESTIONS.—Organization of co-operative credit societies in all the mills in Bombay be taken up by the Millowners' Association as a necessary complement of the mill work, and the managing staff of each mill be asked to consider it as important as production. An agency for close and constant supervision will have to be created to thoroughly look after the details of work. The chief object of the scheme will not at all materialize without such supervision, which is amply experienced in a number of societies mismanaged both in rural and urban areas. The work of organization and supervision should be further centralized and developed by the formation of one central and several local organizing and supervising committees composed of the representatives of the workers, the owners and those of the Provincial Co-operative Institute as *ex-officio* members and expert technical advisers. The recurring cost of the scheme will not be much if the supervising staff appointed by the mills for this work carefully follow the lines and instructions given from time to time by the said Central Committee. The actual working experience of a number of mill societies gained during the past 12 years or so will also stand in good stead to accomplish the object in view and also ensure efficient useful working. The next but the most important point is that of the finance of these proposed societies. For that purpose the formation of a millhands' co-operative bank may be proposed to which all the existing as well as proposed societies will be affiliated. But the share capital thus collected will not be sufficient to meet the requirements of all the societies. And so it has to be urged that deposits from the millowners to this bank shall have to be secured. This is not quite a novel suggestion as it has already been done in respect of most of the societies started by the mill-agents in their mills. The process of the organization of societies in all the mills in Bombay, in order to be complete, anticipating all conditions normal, will naturally take at least 3 to 4 years and so the amounts that will have to be advanced by individual mills as deposits each year cannot be appreciably large. The one society system for each mill is not a satisfactory one from the point of personal contact amongst the members, so essential for the efficient working of a co-operative society concerned and it is therefore suggested that some 2 to 4 societies be started in each mill according to the size and strength of the mills concerned. The total of the societies that may come into existence may roughly come to about 250 or so, out of which 100 are already there.

When an all round programme, as roughly indicated above, with its concomitant essentials of advising and enforcing thrift and saving, is undertaken in right earnest the problems of "millhands credit" will be well on the way to an efficient and practical solution and the millworker will automatically but gradually be reclaimed from the influence of the Pathans and the *marwaris*.

As an inseparable complement of the above suggestion registration and licensing in respect of the banking transactions of unscrupulous lenders such as the Pathans and the *marwaris* be introduced in order to effectively minimise the economic and moral horrors to which their victims are subjected.

As regards the *bania* it is the harvest point to be tackled. But here also much can be done and more and more could be accomplished in the following way.

A sort of a co-operative survey of the residential areas of the worker be made and provision shops on a co-operative basis as far as possible be opened at convenient distances. Quality and cheapness should be ensured. Credit to the extent of about half the amount of earned wages be given on the production of a pass from the time-keeper. The most important item to be attached to this arrangement must be the provision of petty advances. This may be done by the co-operative society of which he is the member. As regards the capital, at present almost all the mills are running cloth and grain shops and the capital so utilized may easily be diverted to this object without any additional monetary strain. If desirable, service societies may be tentatively tried.

As regards the jobber, I think the personal interest of the management in the development of the credit societies of their mill will automatically diminish the influence of the jobber as a lender. Added to this, if direct recruitment and little more care and vigilance be exercised in respect of the discharge of worker, his arbitrary importance as arbiter of their existence in the mill will also cease.

Arrangement of the payment of *havalla* be taken up by the co-operative credit societies and the rate of interest (correctly discount) should not exceed that at which the society grants loans to its members. Fear of the abuse of the provision of facile credit in the form of indiscreet expenditure may rightly be entertained, but it may be got over to a great extent by a strict scrutiny of the purposes of the loans. Besides constant advice combined with a sort of compulsion for thrift and saving would gradually go a long way in greatly minimizing the chances of spendthriftness on the part of the workers. Last but not the least, the existence of a co-operative provision store in his residential locality and a credit society in the mill will bring the worker both at home and at work into close contact with prominent workers and members of the two organisations and will also enable them to watch his movements.

It must plainly be stated here that all that has been suggested above as remedies cannot be taken to be absolute for the perfect solution of the problem. There are other very serious impediments such as racing, gambling, drinking, etc., which may cause the economic and moral ruin of the worker. Notwithstanding all that, the remedies mentioned above are lines which alone if earnestly and carefully followed will positively bring us quite near to the solution of the problem.

In conclusion it must be stated that the problems of millhands' finance is one of supreme importance in view of the economic prosperity of the city as a whole inasmuch as millhands make up practically half the population of Bombay. And, therefore, if the solution of the same is not well attended to as early as it is entitled to, the financial aspect of the whole city is bound to be gloomy.

Mr. S. B. KULKARNI, Secretary, the Currimbhoy Ebrahim Workmen's Institute, Bombay.

Oral Evidence.

10222. *The Chairman* : You are in charge of the Welfare Institute of the Currimbhoy Ebrahim Mills ?—Yes. •

10223. For how long have you been here ?—For about 10 years.

10224. Is this Institute for all the mills working under Messrs. Currimbhoy Ebrahim & Sons Ltd. ?—Yes, for the group of 8 mills.

10225. Can you tell us as a piece of general information how many of these millhands remain permanently in these mills ?—This cannot exactly be said, but the percentage will be very small. Generally it is seen from the information given by the Labour Office, that there is a complete turnover of millhands in Bombay within 18 months. This means there are very few millhands who are permanent.

10226. Do the millhands who go sometimes during the rains to their homes usually come back to the same mill ?—Generally they come back to the same mill. From this point of view practically 80 per cent. of the millhands are permanent.

10227. Except for the break during which they go to their homes ?—Yes.

10228. What percentage of people go during the monsoon ?—I think that during the monsoon about 30 or 40 per cent. of the people go to their villages.

10229. Are the mills short-handed during this period ?—This is usually the period when labour is short. But this is not quite the case for the last three or four years as there have been so many unemployed men.

10230. Regarding the general habit of millhands so far as saving is concerned, do you think that during this period of 7 or 8 months when they are here they save very much ?—No, not very much.

10231. When you say that they do not save much, do you not have to take into consideration the amount they send by money order to their homes ?—They are an indirect saving because they are compelled to do so where they have dependants.

10232. By the time they go away from here, they do not have any savings ?—Generally they start when they get their wages. So they must have at least a month's pay with them to go to their native places.

10233. Do you think that nothing remains out of their savings ?—There might be something, but it is usually not much.

10234. Do they make much use of the post office savings banks ?—No.

10235. Or of co-operative societies ?—Here also the experience is that deposits are not coming in such sums as they ought to.

10236. Where do they keep their surplus if they have any ?—They have not any surplus with them, but if at all they have any surplus they turn it into ornaments and some may send the money to their native places.

10237. Do you think that if there are more post office savings banks or savings banks near at hand in the mills, these people will be induced to save and put their savings in a Government institution like this ?—I do not think, that postal savings banks, as far as deposits are concerned, will be popular.

10238. Even if they were quite close to their mills or if they had a branch inside the mills ?—Vicinity would not affect the problem. If they want to save, they will go a long way and if they cannot save, the vicinity of the postal savings banks would not be to their advantage. There are three reasons. Firstly, the post office time does not suit the millhands ; secondly, the process of withdrawing money is very difficult for a millhand because most of them are not able to sign their names and the third difficulty is that practically they have not much to save.

10239. As regards the first two difficulties an institute like yours would be in a position to help them?—Yes; if some co-operative societies are started in all the mills in Bombay, they will be the easiest institutions where they could put their money.

10240. But are not your present co-operative societies inducing them to do so?—The inducement at present is very little.

10241. Do many of them take to cash certificates?—Practically none.

10242. Do they know what postal cash certificates are?—I do not think that any of them might be knowing that.

10243. From your statement it appears that a millhand is invariably in debt and you have given one reason, *viz.*, that he does not get any pay for the first six weeks. This may be one reason, but, except for this, what is the main reason for his being in debt? He gets his pay every month, does he not? Does he spend more than what he gets?—The conditions in which he lives are such that it is very very difficult for him to make two ends meet. The man by the side of me is in the ring department. He gets about Rs. 28 per month. He has to pay house rent and he has to spend about Rs. 2 or Rs. 3 for his *bidi*, *pan* and tea. Also he has some dependants either here or in his native place for whom he has to send some money. Then he goes to cinemas and some such entertainments, or at times he visits the liquor shop also. So he has to meet all these payments out of the total amount of his pay. If at all he works for 26 days in a month, he gets Rs. 28 otherwise he would get still less.

10244. You are aware that there have been some enquiries made into the family budgets by the Labour Office?—Yes.

10245. Have such enquiries been made by any other agency?—The Social Service League also maintained their accounts for about one to two years. The Labour Office's system is to go to chawls and take oral statements. The system that is followed by the Social Service League is more reliable than the system followed by the Labour Office. The Social Service League maintained daily accounts of the people.

10246. For how many families?—For about half a dozen or a dozen families.

10247. For what period?—For one or two years.

10248. Do they publish them?—They publish in their organ called the "Samaj Sevak".

10249. Have you any suggestions to make as to how to make these people save?—I have made a suggestion in my statement. In order to tackle this problem generally societies in all mills must be started and for this purpose the management has to take an active interest in the organisation. If this comes into force, the system of regular deposits will automatically come into force.

10250. About these different money-lending agencies from which a millhand borrows, it seems from your account that the Pathan is the worst?—Yes.

10251. But is it not a fact that it is only the people who have no credit that go to Pathans?—Yes. The man to my right is a doffer jobber in the Mahomedbhai mills, in the Ring Department getting Rs. 50. He has a bitter experience of Pathans.

10252. Why did he go to a Pathan at all?—That is because he has no credit. He borrowed before 1928. The interest was annas three in the rupee. Owing to the strike he could not pay even the interest. After 7 months he had to pass a document for Rs. 76 for a principal of Rs. 25; the Pathan began to take interest on Rs. 76 at annas three in

the rupee. So before the second strike the whole amount came to Rs. 176. The Pathan took a document for this sum of Rs. 176. The case was settled with him by paying Rs. 176.

10253. What is your suggestion for controlling these Pathans from charging such a high rate?—If societies are started, these people will not go to Pathans.

10254. Was this man to your right a member of a society?—Yes, he was a member.

10255. You say that this man is getting Rs. 50. Do you not think that Rs. 50 per mensem is fair wages for a millhand?—But he has so many things to attend to. If there is a marriage ceremony, he contracts debts from a *bania* or from such other men. If the society does not pay him, naturally he seeks these agencies. At times the amount lent by a *bania* is much higher than what we pay from societies. And generally society does not advance a second loan when the first one is running.

10256. But would you like societies to pay him bigger amounts?—I do not think that we should pay him bigger amounts, but the best thing is that we should regulate their transactions. At present we have no stores which would supply them their necessities, and if store societies are also started and they get their necessary things from them, they may not go in for bigger expenditure.

10257. There were some stores started some years ago?—Yes; practically all of them have failed.

10258. Do you think that if new ones are started there is a chance of their becoming successful?—Yes, with the system that I have mentioned.

10259. Why does a *marwari* charge such a high rate of interest of 75 to 150 per cent. on pledge of ornaments? Is there no competition amongst them?—The *marwari* charges from 75 to 150 per cent., but on the pledge of ornaments it may be 75 per cent. or even less than this; I have a case here. The man to my left borrowed before the first strike, *i.e.*, in the month of November or so and signed a document for Rs. 200. He pledged 4 tolas of gold. There was a balance of Rs. 60 and he got Rs. 125 in cash. And for this he gave 4 tolas of gold as pledge and signed a document for Rs. 200. First of all he passed a document for Rs. 150, interest was added to it and he passed a document for Rs. 200 but he actually got Rs. 80 in cash.

10260. What about the *bania*? Does he also advance?—Yes. His rate is 75 per cent.

10261. What does the jobber charge?—He also charges 75 per cent.

10262. Does the same millhand go to different people to borrow simultaneously?—He borrows from two or three persons but not exactly at the same time. He is a debtor to two or three persons.

10263. As regards *co-operative societies*, you point out certain reasons why they are not working satisfactorily. The first reason is that the maximum limit is Rs. 50. Would you encourage them to borrow more than this sum?—But at times when there is some urgent need, more amount should be and is at times sanctioned than the sum of Rs. 50.

10264. Why is it that they cannot get these amounts promptly? Cannot maximum credit be fixed for each member?—Generally such maximum is fixed, but we also pay more than Rs. 50 to the extent of Rs. 200.

10265. Why is it that there are so many formalities to be observed? Could not some of them be dispensed with?—Yes they could be done away with.

10266. You suggest a central organization for controlling all these co-operative societies and you want the work to be taken up by several bodies including the Millowners' Association?—Yes.

10267. Do you think that these societies or the central organization will be popular with the millhands if the millowners have control over the latter. Are not the millhands suspicious about the millowners?—I do not think that as far as this organization is concerned the millhands will be suspicious about the millowners being there.

10268. Would not the millowners rather deposit in their own mills than in the central organization?—The central organization will be for all the mills in Bombay. If millowners keep their deposits with the central organization, they will be for all the mills.

10269. Why do you want a separate bank for millhands? Could not the general financing agency, *i.e.*, the Provincial Co-operative Bank or some other general bank be able to finance societies?—As I have treated this subject as a special subject, I have said so. I will not mind if the bank be the Provincial Co-operative Bank or some other general bank, but there should be some special provision in the labour locality. It must specially cater the needs of millhands.

10270. You want all these money-lenders to be licensed?—Yes.

10271. You say: "As an inseparable complement of the above suggestion registration and licensing in respect of the banking transactions of unscrupulous lenders such as the Pathans and the *marwaris* be introduced in order to effectively minimise the economic and moral horrors to which their victims are subjected." What are these moral horrors?—I am generally moving in the labour localities. Actually I have seen one Pathan seated at the door of one millhand and would not allow his wife to go out, and harassed and abused her like anything. This is only just an idea. As to how much further he would go need not be explained here.

10272. Your idea is that their names should be registered and they should be given a license?—Their transactions should be regulated.

10273. Should they be compelled to keep accounts to be inspected by somebody?—Yes.

10274. *Mr. Desai*: Suppose they keep two or three books, how would you check them?—My idea is this that they should not be allowed to charge more than what the societies charge. The societies charge 3 pies.

10275. *Mr. Kamat*: About this point that Pathans should be compelled by law to charge only a maximum rate and apart from the device they may resort to of keeping two or three sets of books, what will happen if those people who are hopelessly needy do go to him. He will have some other device, *i.e.*, he will charge *vata* instead of high interest or some such thing like that. How will you control the maximum rate?—If the central organization works, it will be equally social also. So the needs of a particular man could be ascertained if this organization works well, and the man who needs some money for marriage purposes or for some other urgent purposes would go to a society rather than to a pathan.

10276. You said that these people have hardly any surplus to invest. Supposing you introduce a compulsory system of saving, *i.e.*, deducting quarter of an anna or half an anna per rupee from their wages and depositing it in their own name in the savings bank or in some bank and all the clerical work to be done by the mill agents, will this system work?—I would advise that at least each worker should be made to

save compulsorily at least annas eight per month, and the work be done by the society to which he belongs.

10277. *The Chairman* : Have you the provident fund system in any of these mills?—I think there is the provident fund system in the Century Mill and in some two or three mills.

10278. Is it working well?—I do not know exactly about its working.

10279. *Mr. Kamat* : Probably you know that some such system has been suggested last year for getting over this problem of unemployment of mill labour which drives these people into debt. It would be a safeguard during the period of unemployment if some such policy is followed as I suggested now?—Yes; some such policy would be desirable.

10280. You say that they have no surplus and you cite the salary of a man who is in the ring department. But what about the jobbers?—They are in a position to save something which is turned into the form of ornaments.

10281. *Mr. V. L. Mehta* : At present from where do these 100 and odd societies, that you speak of, get their money?—From the agents and from savings of share capital of members.

10282. Is anything borrowed from the Union at Parcel?—These mill societies generally are not borrowers of that Union.

10283. In addition to the co-operative bank or co-operative credit society, you suggest the starting of provision shops on a co-operative basis and then you say that these shops should give credit on some basis to the extent of about half the amount of earned wages. Will this be irrespective of the credit that the man might have had with his society?—Yes, that is how the scheme will work so that he might not have the necessity to go to the *bania* for petty expenses.

10284. But do you not think that there is need for some co-ordination of the work of these two interests between the credit society and the shop?—Yes, this work too will be conducted by the same central organization.

10285. You know that in Ahmedabad they have, instead of starting co-operative societies for various departments of each mill, what they call "a labour bank". Do you think that your central organization should have one bank of which all these mill-workers might be members and borrowers or do you still adhere to the idea of having separate societies for different departments?—I adhere to the idea that we should have different societies.

10286. What exactly are the grounds of your preference?—I have said in the statement that if it is to be a co-operative concern at all then personal contact amongst the members is the essential factor and the central organization will be for the whole labour locality. It cannot come into personal contact with individual members.

10287. In this note you have not referred anywhere to factory workers taking small loans on the security of articles like cloth, etc. You have referred to advances against gold and silver, but do people borrow against other small articles like cloth?—No.

10288. Do they borrow only on petty ornaments?—Yes.

10289. And what would be the rate of interest?—About 70 per cent.

10290. Do you contemplate your societies accepting the ornaments and trinkets as security and giving petty loans against them?—I think it will be a cumbersome task.

Carrimbhoy Ebrahim Workmen's Institute.

10291. If the central organisation is at your back, will you do it?—Yes.

10292. *Professor Kale* : You say that at the present moment there are 100 co-operative societies. Can you give me the membership of these societies?—I think it will be about 8,000 to 10,000.

10293. Do you think that there is room for 150 societies more?—Yes.

10294. Do you think that these 250 societies will cover almost all the mill workers in Bombay?—Yes. Suppose we have a society for the weaving department, the weaving department has about 700 to 800 men, it is not necessary that the membership of the society should be so much. It may not be even 50. This is the state at present.

10295. It means that all these members borrow also from *sowcars*?—Yes, at times they also borrow from outside.

10296. What will be the proportion of those who borrow both from the societies and from *sowcars*?—This cannot be said exactly.

10297. Will it be 50 per cent.?—This cannot be said; but I have come across such cases who borrow from societies as well as from outside lenders.

10298. Your rate of interest is 18 per cent.?—Yes.

10299. Do you not think that it is rather high for a co-operative society to charge so much?—Comparatively it is very easy. We give them a dividend of $8\frac{3}{4}$ per cent. on their shares.

10300. But the amount of their shares is very small. Will it not be possible for you to reduce this rate of interest?—At present we have to guard against bad debts; and so far we have purposely kept this rate of 18 per cent. If things improve we may reduce this rate.

10301. Elsewhere in this Presidency the rate does not exceed 10 or 11 per cent., whereas yours is 18 per cent. But these are different types of societies. Why should it be high?—Because the credit of the borrower is very low. If the man goes away from Bombay it is very difficult to recover the amount.

10302. Therefore to cover the losses you have to keep this rate of interest as high as 18 per cent.?—Yes, and also to meet the expenses.

10303. Do you want the millowners to take part in this scheme of yours or will you do it independently?—It will be an impossible task to start societies or to work out this plan without the active and practical help of the millowners.

10304. You may seek their help but do you want them to take the lead?—What I mean is, they should necessarily be one of the three parties on the central organization. I will not mind if they take the lead, though I may not insist on it.

10305. Will not bodies like the Social Service League start societies with the help of millowners?—I think for permanent smooth working the relation between an outside and independent body and the millowners is somehow or other unnatural and it would not create the sort of confidence necessary for the working of this scheme.

10306. Do you think the present relations between the millowners and the workers are very satisfactory?—No; but that has got nothing to do with the successful working of the kind of scheme suggested. For example some societies have been started by the millowners in E. D. Sassoon group and it is because the management is taking an active part, the membership in some societies has gone even up to 400. Therefore, I say that only with the help of the millowners the scheme could be made successful.

(The witness withdrew.)

**Mr. K. L. PUNJABI, I.C.S., Superintendent of Land Records,
Central Division, Poona.**

Replies to the Questionnaire.

SECTION I.

QUESTION 2.—In Surat district the chief produce sold by the agriculturist was (1) Cotton, (2) Rice, (3) *Juar*, (4) *Bajri* and (5) Grass.

As small landholders predominate the produce is sold immediately after the harvest, for these cultivators have very little reserve capital. The prices at this time are the lowest. The produce is sold either to the money-lender in payment of debt, or to the dealer who comes round at harvest-time, or taken to the nearest market. In *Olpad taluka*, I found that some gin-owners bought up the standing crops of the cultivators agreeing to pay them so much per maund of cotton produced. The cultivator was forced to sell as he was short of expenses for cultivation. The price paid was usually very low, representing according to figures of two years from 50 per cent. to 70 per cent. below the price at harvest time. Where the cultivator would not accept these terms, the gin-owners would advance money on standing crops stipulating that the cotton would be ultimately sold to them, thus restricting the cultivator's market and diminishing his profits.

The period of production in agriculture is prolonged and towards the end, his resources are diminished considerably. Naturally he markets his goods at the earliest opportunity. He has also hardly any storage facility. There are too many persons too who take advantage of the cultivator's necessity to market his produce immediately.

If the cultivator could select his market and the time when he should sell his produce, he could add to his profits materially; for this he requires facilities of storage and "marketing credit", *i.e.*, short-term loan which will relieve him from temporary financial pressure and thus avoid forced marketing. Storage facilities as provided and regulated under United States Warehouses Act of 1916 are desirable for then the warehouse receipt for the produce stored becomes also a source of credit.

In Surat district, a ginning factory has been working on co-operative basis very successfully. It advances like the other gin-owners on the standing crops to help to defray the expenses of cultivation, and it paid a much higher price for the cotton sold to it than any other gin-owner in the locality.

QUESTION 3.—The chief factor affecting the value of agricultural land is the capacity for producing profits. This depends on the following chief factors:—

(1) Fertility of land, (2) Situation of land, (3) Accessibility, (4) Prices of the produce.

Fertility of land depends on its inherent composition, suitability and accessibility of irrigation, the condition in which the soil has been kept, *i.e.*, whether it has been kept up by suitable manuring and rotation of crops or exhausted, whether it has been kept free of weeds and a suitable fence maintained.

Situation of land comprises of two factors, (1) distance from village site and (2) the class of the village wherein the land lies. In the former case the cost of cultivation is affected while in the latter, proximity to a large industrial centre or the social (including educational) amenities of a village enhance the value of land.

Mr. K. L. Punjabi.

Accessibility may refer either to the survey number itself or easy reach of the village to a marketing centre. Roadside lands (being suitable for grazing) are usually more valuable as the grazing area in a village, particularly in Gujerat is limited. Easy communications with marketing centres always enhance the value on land.

Value of land always differs according to the prices of the chief produce. Thus during the period of high prices of cotton in Gujerat (about 1919) cotton-growing land was sold for fabulous price.

In the above case, I have only treated of the genuine and free sale of land. Land is, however, more frequently sold in such circumstances that equal bargains become impossible. The Settlement Officer while collecting statistics of value of land excludes several transactions, such as (1) mortgages entered as sales carrying an oral promise to retransfer the land, (2) lands sold within the family, (3) cases wherein a high price is paid because of (a) special facility, (b) or land purchased by persons with superfluous money and lack of "profit-and-loss-sense", simply in order to enhance their prestige in the village, (4) sales of *inam* land, (5) exchange sales, (6) sales of land suitable for building site and (7) sales of land between *sowcars* and the debtors. The Settlement Officer excludes all cases wherein he thinks that there has not been an equal bargain. Thus in the Settlement Reports we have a large volume of reliable figures of sale value of land in the districts concerned. These figures, however, cannot be applied mechanically for each village, unless there are sufficient number of transactions, say, roughly covering about $\frac{1}{4}$ th to $\frac{1}{3}$ rd of the total area of the village. Otherwise the average value for the group concerned would give us a truer index to the value of land.

As no two plots of land are alike, in settlement reports we do not consider the value of land in the abstract but as related to the quality of the land. This is taken in consideration while classifying land and as the assessment varies according to classification value, therefore, we express the price of land as a multiple of assessment. However, the classification of land which was done about 50 years ago may be out of date now; and besides, classification was chiefly based on gross produce while the price of land is affected by nett produce. So that these multiples of assessments are not absolutely reliable, and in practice exhibit a wide range of variability. But, as I have stated above, provided there is a sufficiently large volume of statistics, and only the average of the statistics obtained is used, we can ascertain from the settlement figures, for all practical purposes, the value of land in the locality.

This difficulty of correctly valuating land is removed if we want to fix only the minimum price of land. This minimum price is usually 20 times the assessment unless of course, the land has been badly neglected in the past, and the classification needs revision owing to some extraneous cause, such as recent water-logging or the land being overrun by salt water from a creek of the sea.

Above, I have treated of only value of land in purchase by private negotiation. My experience in Gujerat is that a forced auction of land to pay the Government dues or satisfy a court decree hardly realised more than 60 per cent. of the normal value of land.

QUESTION 5.—I compiled an estimate for village Bhadol in Olpad *taluka* of Surat district during my settlement enquiry. The figures are only approximate, accurate calculation being almost impossible, as all persons who have collected such statistics know. The money-lenders are very reluctant to divulge their correct accounts and most of the borrowers are ignorant of the exact sum owed by them.

Bhadol has a population of 581 souls with *khatedars* who pays Rs. 8,629-12-0 as land revenue assessment to Government. It has 1,734 acres under the plough. The total assets of the village as calculated by me are as under:—

	Rs.
(1) Value of land	2,39,948
(2) Value of 126 houses	28,236
(3) Value of cattle	22,682
(4) Value of agricultural implements and bullock carts ..	18,988
Total ..	3,09,854

The people in the village owe in all Rs. 41,115 out of which Rs. 8,431 are borrowed from the co-operative credit society and Rs. 32,724 from professional money-lenders in the village and outside.

Except about Rs. 5,000 borrowed on personal security, the rest of the loans are all secured on land.

The loans were almost all taken for buying wives, ceremonial functions prescribed by caste and in some rare cases for payment of "speculative" rent for land by improvident tenants. No thought is given at all as to what the credit would cost and pay.

This improvident borrowing without any regard to the cost and return of the credit, and the unbreakable caste laws, which enjoin wasteful dinners during both marriages and funeral, drive the cultivators into the hands of money-lenders. These money-lenders are increasing their landed property at the expense of the actual cultivators who soon find themselves as tenants cultivating their ancestral land. In Bhadol, I found that during the last 27 years the money-lenders had all increased their holdings. The following table will illustrate:—

Caste of money-lenders	Land owned by them in 1900			Land owned by them in 1927		
	Expressed in area		Expressed as percentage of the total area	Expressed in area		Expressed as percentage of the total area
	A.	g.	Per cent.	A.	g.	Per cent.
Brahmins	186	36	10·4	290	4	16·5
<i>Banias</i>	108	17	6·2	245	23	14·4
Parsis	212	0	11·2	221	38	13·2

The acquisitions by the Parsis are negligible as they do not reside in the village and thus have to direct their operations from adjoining villages.

Most of the *bantias* are comparatively of recent arrivals in the village, and several villagers considered their arrival in the village as the beginning of the trouble. The facility of credit was a temptation which many of them could not withstand. They hardly realised that this facility would prove so fatal.

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PROFESSIONAL MONEY-LENDERS AND THEIR METHODS.—The professional money-lenders have an enormous hold in the rural areas. They have this great advantage that their operations are secret, simple and elastic. At what price these advantages are obtained, only those who have dealt with them know.

The average farmer is usually short of working capital, and increased profits can only be obtained from intensive cultivation necessitating expenditure of capital. We have to improve the conditions of obtaining credit in rural areas in such a manner that economic farming may not be hampered, while at the sale time facile credit may not become too strong a temptation so as to be used for unproductive undertakings.

The rural money-lender in Gujerat takes first of all a discount of one anna in a rupee for the sum asked for. Then he deducts interest in advance. Thus for a promissory note or mortgage for one year for Rs. 100 the cultivator, if he is sound financially, will have to pay 15 per cent. interest, and thus the actual sum that he will get is Rs. 79-4-0. The rate of interest varies with the seasons and the financial condition of the borrower. For short-term loans before harvest time it goes up to 30 per cent. per annum while for long term credit it is usually between 15 per cent. to 18 per cent. These money-lenders are also dealers. And the borrower in order to keep on good terms with him invariably buys all his necessities from him for which according to my investigations he had to pay at least 25 per cent. more with interest from the beginning of the next year. It goes down in his general account thus rendering it more difficult of adequate check. His power of borrowing his marked for the repayment of the loan is demanded just when the produce comes in and the produce often taken in payment. As low prices prevail at harvest time, this results in diminishing his profits. The hold of the money-lender over the cultivator is very much like the reported magnetic fascination of the cobra who would draw a live rabbit nearer and nearer to itself and ultimate doom by the magnetic power of its eyes.

Once the cultivator approaches the money-lenders, he finds himself deeper and deeper into debt and the process, though gradual, is yet very steady.

REMEDIES TO SAVE THE AGRICULTURIST.—The Dekkhan Agriculturists' Relief Act has more or less been a failure. The money-lender refuses to advance on mortgage unless the debtor can easily, in his estimate, repay the loan; and the hard-pressed borrower often agrees to the proposal of the money-lender to transfer the land to him, only accepting his oral promise that he will retransfer it to him when the debt is paid. In case of death of the parties the oral promise is disputed by the money-lender or his heirs. Again, as the courts are empowered to go behind the documents, frequently, a fictitious sum much in excess of the actual sum advanced is put down in the sale deed, in order to give the sale deed a colour of probability. The transaction thus rests on the honesty of the money-lender and how precarious this is, will be evident to all in touch with rural areas. I have come across several such instances in Gujerat and the Deccan. For example, a cultivator hard pressed for money to fulfil the almighty caste obligations would approach a money-lender for a loan of, say, Rs. 200. He has land worth say Rs. 1,000. The money-lender is reluctant to advance unless the land is transferred to his name promising earnestly that he will retransfer it when the debt is paid. He will also ask him to put down a nominal price of, say, Rs. 700 as otherwise the transaction will look very doubtful and may be interpreted as mortgage, particularly when the vendor continues to cultivate the land. Rent equal to the interest will be fixed also in a rent-note. The unwary cultivator often accepts this proposal and the deed is accordingly

executed. Years afterwards, when he had paid up probably twice the original amount, he asks for a retransfer of the land. Then the money-lender will consult his account books to show that still a lot remains to be paid from Rs. 700 advanced to him. He is very fair minded and will stick to his original promise to retransfer the land but debt must first be satisfied. This has been one of the effects of the Act designed to protect the agriculturists.

To control unchecked usury in rural areas an act on the lines of the Money-lenders Act in England is necessary with the following chief points :—

- (1) All money-lenders should be registered in the Collector's office.
- (2) The money-lenders' account books should be open to inspection by Government Officers so authorised.
- (3) Rate of interest suitable to the locality should be fixed separately for long-term credit as well as short-term credit.
- (4) Effective penalties for breach of conditions should be provided.
- (5) The machinery for enforcing the Act should be simple, quick and effective.

Revenue courts in these circumstances will function better than civil courts.

It is argued by some that no legislative action can save the agriculturist from his own foolish actions. While this is true to some extent, yet much can be done by controlling the harmful activities of the rural money-lenders.

I do not expect that a measure of the above nature wherein adequate rate of interest is allowed will drive out the money-lenders from the rural area. It will only diminish his power and his profits. He will also be more cautious and will not advance for extravagant expenditure. Excessive facility of credit being removed, the agriculturist will learn thrift and the Co-operative Movement will get a great impetus.

Oral Evidence.

10307. *The Chairman* : Mr. Punjabi, you are the Superintendent of Land Records, Central Division, Poona ?—Yes.

10308. Have you served for a number of years in Gujerat ?—Yes.

10309. Both as a revenue and a settlement officer ?—Yes.

10310. You did the settlement of Olpad *taluka* in Surat district ?—Yes, and of Chikhli also.

10311. We found during our tour in Gujerat that the percentage of holders below 5 acres is very large ?—In my figures it is about 55 per cent. for Olpad and round about Surat.

10312. What would be an economic holding in the sense of a holding which would be sufficient to maintain a family ?—Is it in the sense that it is profitable to the cultivator with a pair of bullocks and the family working ?

10313. It is in the sense that the income therefrom would be enough to maintain a family ?—It depends so much upon the quality of the land.

10314. You have different kinds of soil. On an average what would be an economic holding ?—About 15 acres of mixed crop.

10315. In this particular *taluka* (Olpad) do the cultivators have any subsidiary occupations ?—None at all.

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10316. Or do they migrate to different centres during the slack season?—I did not notice any such thing.

10317. How then do the families maintain themselves?—By hiring themselves out for agricultural labour for the richer people who have larger holdings.

10318. Is this their main secondary occupation?—Yes.

10319. During the settlement enquiries in this Presidency have any enquiries been made about the indebtedness of individual cultivators?—No. It is difficult to undertake such an enquiry.

10320. It seems from your reply that the cultivators especially in Olpad *taluka* are at a disadvantage because they have to sell their cotton very often before it is ready, but in the Central Cotton Committee enquiry, they were referring more to districts in Middle Gujerat like Broach and Panch Mahals, one of their conclusions after these enquiries was: "Except in Sind, cultivators are in general not hampered by their borrowings either as regards the persons to whom, or as regards the time at which, they may sell their *kapas*."—I do not agree with their conclusion. It is about Middle Gujerat. but I am speaking about Surat.

10321. In Surat you think that the want of finance compels cultivators to sell their cotton at a low price?—Yes.

10322. Are most of the purchasers gin-owners?—Yes.

10323. How many classes of land are there generally in Olpad *taluka*?—Dry crop land, rice and *bagayat*.

10324. But in the dry crop are not there black soil and *gorad*?—There are three varieties in the dry crop.

10325. So far as classification is concerned, there will be five different classes?—Yes.

10326. You refer to the importance of the figures in the Settlement Report. You say: "These figures, however, cannot be applied mechanically for each village unless there are sufficient number of transactions, say, roughly covering about $\frac{1}{4}$ th to $\frac{1}{3}$ rd of the total area of the village. Otherwise the average value for the group concerned would not give us a truer index to the value of land." But do you get information at any time about $\frac{1}{4}$ th or $\frac{1}{3}$ rd of the total area of the village after excluding all these other sales?—Very rarely.

10327. Then the Settlement Report figures cannot be taken as the basis for arriving at a conclusion?—For a *taluka* these figures are a good index but not for a village.

10328. I find from the report made 30 years ago that the area covered for the whole *taluka* for sales was 385 acres. Will this be a sufficient area to judge about the value of land?—In those days they went minutely into all agricultural conditions and did not so much emphasize the value of land. They had crop experiments and other factors to guide them.

10329. At present you go more deeply into the question of sales?—Yes.

10330. It seems that the average price realized in the case of ordinary sales was 12·8 per cent. whereas the average price in sales under court decrees was 16·74 per cent. Is this not rather unusual?—It depends very much as to the time when auction of the land is held.

10331. But this is the average?—They may have many forced sales of land on unfavourable terms.

10332. You say: "And besides, classification was chiefly based on gross produce while the price of land is affected by net produce". Is not there some relation between the two?—I do not know whether there is so much change.

10333. On the next page you have given us some interesting particulars about the indebtedness of the people of Bhadol village. Do you know if similar information is available for any other villages in Gujerat?—I do not know.

10334. Were these figures collected by yourself?—Yes.

10335. In this village the land revenue amounts to Rs. 8,600 and odd, and the debt is Rs. 41,000 and odd. That is, about five times the assessment?—Yes.

10336. Do you think that this can be taken as the average for the whole of Gujerat?—I think it must be more or less the same in Gujerat.

10337. But you cannot say definitely?—No.

10338. In this figure of Rs. 41,000 debt are all real mortgage debts included?—Yes.

10339. *Mr. Kamat*: About the allegation sometimes made that the land revenue assessment is based very highly and probably is one of the causes of indebtedness, could you give me your idea so far as your experience is concerned as to what portion it generally bears to the crop value as at the time of harvest taking per acre of cotton in the Surat district? What will be the assessment on an average?—For dry crop it will be about Rs. 5 and the value of the cotton as at the time of harvest on an average will be about Rs. 30.

10340. So Government take one-sixth?—Yes.

10341. And about *bagayat* crop?—There is not sufficient garden crop in Gujerat. In the case of garden crops I think it will vary.

10342. Is it your general impression that this basis is really the cause which drives him into indebtedness?—I am very sorry I have to answer this question in the affirmative.

10343. *The Chairman*: When you were the Assistant Collector in Surat, did you ever receive complaints that people were forced to borrow because they had to pay the land revenue assessment?—In some cases it was represented to us and Government did postpone the instalments. I know of instances in my time when the instalments were postponed for one month to enable them to pay the same.

10344. *Mr. V. L. Mehta*: You say that people are compelled more or less to sell their standing crops because they have to prepare themselves for cultivation for the next season?—No, not for the next season but for the season itself.

10345. But for the season itself they would require money at the beginning?—It may be at the beginning of the season or during the season.

10346. You say: "For short-term loans before harvest time it goes up to 30 per cent." Would this 30 per cent. rate of interest be the rate for the average cultivator or would it be only for the poor class of cultivators?—It is only an average rate. It will vary with the person and security.

10347. You say that multiples of assessments are not absolutely reliable for determining the value of land. We are interested in land mortgage banks and problems of land mortgage banks. Do you think that it would not be desirable for the land

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mortgage bank to rely on this information?—I have stated in the written memorandum that the value of the land is 20 times the assessment.

10348. When you made an enquiry about indebtedness in that particular village, did you find a very large number of people who had borrowed money for purchase of land?—Yes.

10349. Do you say that investment in land is unproductive?—It might be productive or unproductive.

10350. *The Chairman*: Do you say that most of the loans were borrowed for unproductive purposes?—So my experience goes.

10351. *Professor Kale*: In your statement you say that the Settlement Officer while collecting statistics of value of land excludes several transactions, and you point out that these figures are fairly reliable?—Yes, after the doubtful transactions have been excluded, and only the genuine transactions taken into consideration.

10352. Do you rule this out as not genuine?—Yes; they are not included in the statistics.

10353. Will you be able to get the correct value of land if some of these considerations are ruled out?—We want to find out the absolute value of land.

10354. Does not the market value also depend on these considerations, and is it not governed by these considerations?—We tried to minimise these extraneous considerations.

10355. Are not some of these considerations, for instance, special facilities or sales of *inam* land, important considerations, which go to make up the value of land?—I agree with you, but we want to find out the value of land only in its relation to its capacity for producing that profit.

10356. That is only one factor?—For settlement purposes, we consider that to be the most important factor.

10357. *Mr. Chikodi*: In your statement you have said that loans were taken for ceremonial purposes and for buying wives. Are no loans taken for agricultural purposes?—Yes, in some case.

10358. What would be the percentage of loans taken for the agricultural purposes approximately?—I could not tell you.

10359. With reference to the total assets of the village as calculated by you, have you taken into account the value of milch cattle?—Yes, the value of cattle includes both the ploughed cattle and the milch cattle.

10360. In your statement you say: "Most of the *banias* are comparatively of recent arrival in the village, and several villagers consider their arrival in the village as the beginning of the trouble." I think you stated that the *bania* is readily available to the agriculturists?—Yes, quite true.

10361. Why should he be considered as a trouble?—It is so because the facility of credit has proved fatal.

10362. To control unchecked usury in rural areas you have suggested some measures, and one of your suggestions is that all money-lenders should be registered in the Collector's office. May I know why should they be registered?—Because it will enable us to check their activities.

10363. How does the registration prevent usury?—There are other measures also. They should be registered and their books should be opened for inspection and audit.

10364. Would you suggest any measures to protect the money-lenders against the agriculturists?—We can help the money-lenders if they are brought under control; one could devise some means for helping them to recover their money.

10365. Would you give the same facilities as the co-operative societies enjoy?—I cannot say that, but same measures may be suggested.

10366. Why do you suggest the Revenue Courts?—They are very quick and more effective.

10367. Do you know that some prefer Civil Courts to Revenue Courts?—Some consider in that way, but I consider Revenue Courts for this purpose most suitable.

10368. You say that the rate of interest should be fixed. Who should fix it? Should the Collector fix it?—The Collector helped by a committee.

10369. What is the constitution of that committee? Should it be an advisory body or should the members of the committee have an effective voice?—It depends on the constitution of the committee. In the first place, I think Government should fix the range of variation of interest and within that range the Collector on the advice of the committee or the committee with a majority might fix the actual rate of interest suitable to that locality.

10370. Who should be represented on that committee? Would you include both money-lenders and the agriculturists?—Both.

10371. Pathans also?—Why not?

(The witness withdrew.)

*The Committee then adjourned and reassembled at Karachi on Tuesday,
the 14th January 1930.*

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 Chamber of Commerce*) (521-2).
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MASTER, Mr. A., I.C.S., Collector, Kaira : 9053-9153 (428-433).

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MUNSHI, Mr. R. M., B.A., LL.B., Ahmedabad : 8998-9052 (416-418).

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PANDYA, Mr. C. A., B.A., LL.B., District Honorary Organiser, Co-operative Societies, Borsad : 8060-8190 (310-313).

PARIKH, Rao Saheb T. S., Managing Director, Kaira District Central Co-operative Bank, Nadiad : 9154-9210 (441-449).

PATEL, Mr. B. S., Deputy Director of Agriculture, Gujarat, Surat : 6262-6370 (77-80).

PATEL, Mr. C. D., Traj : (321-322).

PATEL, Rao Saheb D. A., B.A., Personal Assistant to the Collector of Surat : 6879-6956 (158-165).

PATEL, Rao Saheb D. S., District Honorary Organiser, Co-operative Societies, Ahmedabad : (406-408).

PATEL, Mr. P. I., District Honorary Organiser, Cotton Sale Society, Sonsek, Surat : (130-132).

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SHROFF, Mr. BHAGWANDAS B., District Honorary Organiser, Co-operative Societies, Bulsar : 6215-6261 (71-74).

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GLOSSARY OF INDIAN TERMS

Adat	Commission.
Adatya	A commission agent or broker.
Anavla	..	..	A sect of Brahmins in Gujarat.
Annewari	..	..	Valuation (of crops) in the term of " annas " (16 annas = Re. 1).
Bada Sahib	..	..	A high official.
Bagayat	..	..	Garden land.
Bajri	..	..	A small millet (<i>Pennisetum typhoideum</i>).
Bamni	..	..	Double.
Bania	..	..	A trader.
Benami	..	..	In the name of another person.
Bara	..	..	A tract in the Broach district, lying on the coast, where the soil is sandy and saltish.
Bazar	..	..	A market.
Bet	..	..	Alluvial.
Bhag	..	..	Share (of land held on the <i>Bhagdari</i> tenure).
Bhagdar	..	..	A holder of land under a certain tenure prevalent in the districts of Kaira and Broach.
Bhagdari	..	..	A land tenure prevalent in the districts of Kaira and Broach.
Bhang	..	..	Indian hemp (<i>Cannabis sativa</i> s).
Bhar	..	..	A weight of 24 maunds.
Bhatha	..	..	Allowance.
Bhil	..	..	Member of a certain aboriginal tribe.
Bidi	..	..	A country cigarette.
Bigha	..	..	One-third of an acre.
Charkha	..	..	A spinning wheel.
Cheeku	..	..	Name of a fruit (<i>Achras sapota</i>).
Chithi	..	..	A note.
Chokai	..	..	A person dealing in silver and gold.
Dakshani	..	..	Belonging to the Deccan.
Dal	..	..	A generic term for pulses.
Dalal	..	..	A broker.
Dalali	..	..	Brokerage.
Danger	..	..	Unhusked rice.
Darshani	..	..	Payable on demand.
Dekhadnarjog	..	..	Payable to bearer.
Deshi	..	..	Pertaining to the country ; Indian.
Dhadi	..	..	A weight put into one of the scales in weighing out a certain quantity.
Dhanijog	..	..	Payable to the person who purchases (a cheque, a <i>hundi</i>), as distinguished from <i>shahjog</i> , which is payable to any person of known respectability.
Dharala	..	..	A tribe found in Gujarat.
Dharmada	..	..	A payment made for charity.
Dhed	..	..	An untouchable caste.

Didhi	..	..	One and a half times.
Dubla	..	..	A backward tribe in Gujarat.
Firmavnarjog	..	..	Payable to order.
Ghee	..	..	Clarified butter.
Gorat	..	..	A class of soil.
Gujar	..	..	The name of a caste.
Gur	..	..	Jaggery; unrefined Indian sugar.
Hat	..	..	A fair; a market.
Hawala	..	..	Guarantee.
Hundi	..	..	A written order made by one person on another for payment on demand or after a specified time of a specified sum of money to a person named therein.
Inam	..	..	A gift or grant; land held free of or at reduced assessment.
Japti	..	..	Attachment.
Jarap	..	..	Sale in advance of a growing crop.
Jar tar	..	..	Gold thread.
Jirayat	..	..	Dry crop land.
Juar	..	..	The large millet (<i>Andropogan sorghum</i>).
Kabala	..	..	Contract.
Kali	..	..	Black.
Kaliparaj	..	..	Member of a backward class.
Kapas	..	..	Unginned cotton.
Karda	..	..	Deduction in weight.
Kasab	..	..	Tinsel.
Khaddar or Khadi	..	..	Cloth hand spun and hand woven.
Khandi	..	..	A measure of weight and capacity which varies according to the commodity.
Kharif	..	..	Crop sown at the beginning of the rains and reaped from October to December.
Khata	..	..	An account.
Khatedar	..	..	An occupant.
Kist	..	..	An instalment of revenue.
Kodra	..	..	A species of corn used for food by the poor. (<i>Paspalum scorbitulatum</i>).
Koli	..	..	A backward tribe found in parts of Gujarat and the Deccan.
Kunbi	..	..	A peasant.
Kutchra	..	..	Literally "not solid" (opposite term is "Pucca").
Kyari	..	..	Rice land.
Lang	..	..	A kind of pulse (<i>Lathyrus sativus</i>).
Mahajan	..	..	A merchant; used to indicate money-lenders also.
Mahal	..	..	A revenue sub-division.
Mahar	..	..	Member of a depressed class.
Mamlatdar	..	..	The revenue head of a <i>taluka</i> .
Mandal	..	..	An association.
Mandi	..	..	A market.
Marwari	..	..	A class of merchants and traders coming from Marwar
Mofussil	..	..	Up-country.
Muccadam	..	..	A supervisor; a subordinate officer.
Mudati	..	..	Payable after a certain time.

GLOSSARY OF INDIAN TERMS

Munsiff	..	..	A sub-judge.
Nagli	..	..	A kind of corn (<i>Eleusine coracana</i>).
Namjog	..	..	Payable to the person whose name is mentioned in the <i>hundi</i> .
Narvadari	..	..	A land tenure prevalent in Kaira and Broach.
Nidhi	..	..	A kind of co-operative society for lending found in Madras.
Padtal	..	..	Waste or fallow land.
Pan	..	..	Betel-leaf.
Panch	..	..	Literally "five"; a committee of five to decide disputes.
Panchayat	..	..	A committee consisting usually of five persons.
Panchkyas	..	..	See " <i>Panchnama</i> ."
Panchnama	..	..	A document drawn up by a <i>Panch</i> .
Patidar	..	..	A class of advanced cultivators in Gujarat.
Pedhi	..	..	A firm; an office.
Pucca	..	..	Literally "solid"; fast (colour); (opposite term is " <i>Kutchi</i> .")
Rabi	..	..	The spring harvest; crop sown in the autumn and reaped at the end of the cold weather.
Rabari	..	..	A shepherd.
Rokha	..	..	A bond.
Ryot	..	..	A cultivator.
Ryotwari	..	..	A land tenure in which land is held permanently by the holder from Government on condition of payment of land assessment as fixed by Government.
Sanad	..	..	A document conferring a right or a title.
Sawai	..	..	One and a quarter.
Shah	..	..	A respectable person.
Shahjog	..	..	Payable to a <i>Shah</i> , a respectable person.
Shetia	..	..	A banker or merchant.
Shroff	..	..	An indigenous banker.
Sowcar	..	..	A money-lender.
Taccavi	..	..	An advance made by Government to cultivators for agricultural purposes.
Talati	..	..	A village accountant.
Taluka	..	..	A local revenue division of a district.
Talukdar	..	..	A holder of land on the <i>talukdari</i> tenure.
Talukdari	..	..	A land tenure principally found in the Ahmedabad district.
Tur	..	..	A variety of pulse (<i>Cajanus indicus</i>).
Vaishakh	..	..	A lunar month of the Hindu year.
Vakil	..	..	A pleader.
Vandha	..	..	A dispute.
Vatav	..	..	Discount.
Zemindar	..	..	A landholder.
Zilla	..	..	A district.