



Report of the
Bengal Provincial Banking Enquiry
Committee
1929-30

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I.—Replies to Special Questionnaire

Bengal Provincial Banking Enquiry Committee.

Replies to Special Questionnaire.

1. The Postmaster-General, Bengal (regarding further banking facilities in the post offices).

Question 1. Please state the average amount of Savings Bank deposits in Bengal for the years 1913, 1918 and each of the years since 1920, mentioning the month in which the Savings Bank deposits are at their highest and the lowest in each year.

Please mention the maximum, average and minimum amount of the deposits during each of the years mentioned above.

Answer. The relevant Savings Bank records for the years 1913 and 1918 having been destroyed, the figures for those years are not available. The figures for the other years will be found in the statement below which also contains other information asked for in this question.

Statement of Savings Bank deposits in Bengal proper.

(The withdrawals are not taken into account.)

Names of months.	1919-20.	1920-21.	1921-22.	1922-23.	1923-24.
	Rs.	Rs.	Rs.	Rs.	Rs.
April ..	24,83,663	28,10,753	30,30,288	31,00,276	33,03,212
May ..	24,03,262	26,35,759	27,44,773	30,77,577	35,23,092
June ..	19,97,303	24,93,110	24,64,272	26,74,860	28,39,485
July ..	25,57,488	28,10,853	27,62,415	28,92,430	29,95,859
August ..	28,14,105	29,83,759	30,39,289	33,96,753	33,99,087
September ..	35,14,567	27,17,252	30,72,062	37,63,249	34,71,812
October ..	25,64,841	32,57,733	33,33,323	32,65,410	39,98,185
November ..	25,83,030	28,42,470	27,78,747	33,96,620	35,38,400
December ..	21,64,098	29,14,621	23,63,925	28,79,132	35,92,518
January ..	22,97,115	27,68,113	23,55,826	28,20,294	34,16,582
February ..	24,33,297	26,41,304	24,73,514	28,98,604	33,08,761
March ..	28,07,749	28,68,408	28,07,581	32,90,011	36,43,271
Total ..	3,06,20,518	3,37,44,135	3,32,26,015	3,74,55,216	4,11,20,264

Names of months.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
	Rs.	Rs.	Rs.	Rs.	Rs.
April ..	36,71,876	36,89,489	29,46,563	41,87,516	46,63,394
May ..	34,31,366	34,42,891	40,24,123	42,97,170	45,11,604
June ..	29,14,929	29,74,556	33,95,104	36,26,209	38,51,289
July ..	33,63,973	34,30,767	36,81,338	40,49,096	44,05,943
August ..	36,84,413	42,67,007	37,00,034	47,09,585	51,07,201
September ..	44,00,739	55,73,645	49,37,939	51,97,746	59,09,893
October ..	47,09,474	61,74,848	49,27,055	53,76,058	61,55,544
November ..	41,57,077	54,24,636	46,00,486	52,13,167	52,53,925
December ..	38,54,555	46,53,874	45,45,733	46,84,478	49,31,337
January ..	32,88,401	37,91,811	41,57,138	42,56,328	48,19,957
February ..	33,42,836	39,52,023	41,09,172	46,15,937	46,52,177
March ..	37,98,674	45,61,759	47,06,954	46,96,113	48,43,544
Total ..	4,46,18,313	5,19,37,306	5,06,31,639	5,49,00,403	5,91,05,808

Question 2: What classes of people keep Savings Bank deposits with post offices and what roughly is the proportion of the deposits of each of these classes to the total?

Answer. Mostly educated middle class men and a small proportion of zeminders, traders, agriculturists and labourers deposit money in the Post Office Savings Bank. It is not possible for me to give the proportion of deposits of each of these classes to the total.

Question 3. Are the advantages of Savings Bank business sufficiently known to the public? How do the facilities offered by post offices compare with those offered by branches of the Imperial Bank or of the Indian Joint Stock Banks, if any, exist in the locality? What further facilities would you suggest to make this class of business more popular?

Answer. The advantage of Post Office Savings Bank is fairly well known to the literate public. Illiteracy however stands in the way of the labourers and agriculturists appreciating the benefits of the Post Office Savings Banks. I am not in a position to furnish information regarding relative advantages of the Post Office Savings Bank and the Imperial Bank or other Joint Stock Banks. The Post Office Savings Bank is practically the poor man's bank and enjoys the greatest amount of confidence among the literate public. The greatest advantage of the Post Office Savings Bank is that it is spread all over the country and that the accounts can be transferred from one post office to another in any part of India. Even in remote villages, where there is no bank or other means of investing money, one can deposit money in the Post Office Savings Bank or purchase Cash Certificates. But it has certain restrictions viz., (a) a person cannot open more than one account in his own name; (b) cannot deposit more than Rs. 750 in an account in a financial year; (c) cannot have a balance of more than Rs. 5,000 to his credit at any time exclusive of interest; (d) cannot withdraw from his account at a post office other than the one at which his account stands open; (e) cannot withdraw money from his account more than once a week (Monday to Saturday).

Question 4. How do persons other than depositors invest their occasional or permanent savings in Bengal? Do you think that if post offices open current accounts bearing no interest or a nominal rate of interest withdrawable by cheque, it will attract any substantial deposits?

Answer. I am unable to furnish any reply to the first part of the question. As regards the second part I may point out that it is against the policy of the Government to open such accounts, vide rule 2 of "Rules for the guidance of depositors in Post Office Savings Bank."

It may however be said that all Savings Bank accounts are current accounts as opposed to "Fixed Deposit accounts."

Question 5. Have you experienced any difficulty in meeting the demand for withdrawals from the cash ordinarily kept in the post offices?

Answer. No difficulty generally arises in meeting the demand for withdrawals except in post offices in rural localities where occasionally delay varying from 2 to 4 days may occur in obtaining the requisite funds from the cash office.

Question 6. What was the average amount of investment in cash certificates and treasury bills in Bengal during each of the years mentioned above? What methods would you suggest to make these facilities better known to the public? Do the present rates of cash certificates require revision? How do these rates compare with a safe return on investment in land or the net earnings from money-lending in the long period? Are there any grounds for believing that the rates offered on postal Cash Certificates and treasury bills are having a prejudicial effect on the deposits in branches of the Imperial Bank or of the Joint Stock Banks in the province?

Answer. The information will be found in the following statement of Cash Certificates for the last 10 years. Indian post offices do not deal with "treasury bills." Rates of Cash Certificates are, I think, popular enough and require no revision at present. I am not in a position to reply to other parts of the question.

Total amount realised by issue of Cash Certificates.

	Issue price.		Total realisation.
	Rs.	A.	Rs.
1919-20	7	12	33,64,597
1920-21	7	12	11,58,804
1921-22	7	12	9,75,206
1922-23	7	12	16,92,825
1923-24	7	8	1,35,80,267
1924-25	7	8	1,13,96,352
1925-26	7	8	1,81,39,516
1926-27	7	8	1,36,11,992
1927-28	8	0	1,11,96,062
1928-29	8	0	82,75,231

Question 7. Are there any special development difficulties standing in the way of post offices in Bengal—

- serving as a place of safe deposit for gold, silver, jewellery, documents, etc.;
- receiving cheques on the Imperial Bank of India and other banks for realisation and credit to Savings Bank account, less the usual commission;
- opening current accounts withdrawable by cheques;
- undertaking encashment of notes into gold in small amounts at rates which do not involve loss to Government?

What safeguards, security, restrictions and control would you suggest in each case?

Answer. (a) The accumulation of any large quantity of valuables in post offices is against the existing policy of the Government and is beset with danger.

(b) The Director-General's General Order No. 16, dated the 11th November 1929, reproduced below, contains the rules which govern the acceptance of cheques in post and telegraph transactions.

"In view of a general desire for the extension of the system of payment by means of cheques at post offices, it has been decided to grant the following facilities in the matter to the public subject to the condition that the cheques must be drawn on a bank situated in the same place as the post office at which they are presented:—

(i) Cheques will be accepted from telephone subscribers (other than those having merely casual connections) on account of rent of telephone lines and instruments and trunk call fees. In these cases subscribers may make payments at their option by ordinary cheques or by cheques drawn under guarantees of their clearance by the bank as described below.

(ii) Cheques drawn on any approved banks, of which the head of the circle shall be the judge, will be accepted in any other Posts and Telegraphs transactions from members of the public, provided that the amount involved is not less than Rs. 20 and that the bank concerned gives a guarantee renewable annually; that all cheques drawn in favour of the Posts and Telegraphs Department by the drawers are certified "good for payment." Heads of Circles will draw up a list of approved banks and furnish it to the post offices where cheques are likely to be presented.

2. Postmasters must arrange to obtain from members of the public who wish to make payments of postal or telegraph dues [other than those mentioned in clause (I)] by means of certified cheques, the banks guarantee referred to above. These guarantees should be carefully filed and indexed so that a request for renewal can be issued a month before they fall due.

3. Cheques for dues falling under paragraph 1 (ii) above should not be accepted from members of the public whose guarantees have expired until that guarantee is expressly renewed by the bank in which their accounts stand."

(c) My reply to question 4 may kindly be referred to.

(d) It is not the policy of the post office to undertake such encashment. Conversion of notes into cash is permissible only in cases of actual transactions with the post office to the extent that is convenient.

Question 8. What are your views about the possibility of starting Savings Associations to increase postal savings bank deposits, sale of postal cash certificates and other forms of investments?

Answer. In a country, like India, where illiteracy is so appalling, the system is likely to lead to fraud by designing persons. The minimum amount that can be deposited in the Post Office Savings Bank is annas four. I am therefore of opinion that there is no scope for National Savings Associations in this country as outlined in the memorandum accompanying in your letter. Provident Funds would be much more suitable in the existing conditions of the country.

2. The Imperial Bank of India, Calcutta (about financing of Tea Industry).

Question 1. Does the Imperial Bank finance the tea industry of Jalpaiguri and Darjeeling districts?

Answer. Yes.

Question 2. If so, what is the method of financing—

- (a) with regard to the capital expenditure of such gardens, and
- (b) with regard to their annual running expenses?

Answer. With regard to (a) the Bank does not ordinarily finance capital and block expenditure. The Bank rightly considers that such expenditure should be provided by the investor and not by a Bank. It is no part of a Bank's duty to finance block expenditure.

With regard to (b) the Bank provides finance for the purpose of meeting annual running expenses connected with bringing the tea crop to market, the advance being liquidated as the tea is disposed of.

Advances are made on the security mentioned in Schedule 1, Part I of the Imperial Bank Act, and where the primary security is a D. P. Note, on the further security of the hypothecation of crops supported by the guarantee of an approved guarantor, such advances being repaid as the proceeds of the tea crop are realized. This is the usual method of finance to tea gardens.

The Bank also purchases the approved demand drafts of gardens drawn for the purpose of defraying the working expenses of the gardens and in many cases arranges to deliver the cash on the gardens.

The above are the principal methods by which the Bank finances the tea garden industry at our Darjeeling and Jalpaiguri branches.

Question 3. With regard to the capital expenditure, is mortgage of land, machinery, etc., taken in addition to the security of a guarantor or any other security authorised under the Imperial Bank Act?

Answer. In view of the reply to Question 2 (a) this question does not arise.

Question 4. With regard to annual running expenses, are the crops hypothecated to the Bank in addition to the security of a guarantor or any other statutory security?

Answer. Crops are usually hypothecated to the Bank in addition to the guarantee of an approved guarantor. Under the Act the Bank is not permitted to advance on hypothecation only. If, however, the borrower is in a position to offer the Bank any other statutory security, by which it is presumed is meant security authorised under the Imperial Bank Act, and the securities are those mentioned in Schedule 1, Part I (i) to (iv) the question of hypothecation of crops and guarantee would not arise. It is only when the primary security is in the nature of that mentioned in (v) that the question does arise.

Question 5. What class of persons are accepted as guarantors? Are only the tea broking firms in Calcutta, e.g., Messrs. Crosswell & Co., accepted as guarantors?

Is the Bank prepared to accept the guarantee of reputed Indian banking firms interested in the tea industry (e.g., Jalpaiguri Banking & Trading Co., Ltd.) or of respectable Indian Managing Agents?

Answer. The Bank does not confine its acceptance of guarantors to any class of person or firm, the Bank being guided purely by the means and standing of the person or firm proposed as guarantor.

Question 6. What is the rate of interest charged by the Bank—

(a) on loans for block debt.

(b) on loans or cash credits for annual running expenses?

Answer. (a) In view of reply to Question 2 (a) this question does not arise.

(b) The present rate of interest on cash credit advances granted on the further security of the hypothecation of crops is 7 per cent. fixed.

3. Messrs. Martin & Co., of Calcutta (about financing of Tea Industry).

Question 1. What are the gardens in the district of Jalpaiguri, Darjeeling and Chittagong, of which you are the Managing Agents?

Answer. We are not Managing Agents of any garden but rather Financial and Sales Agents, i.e., we make advances against mortgage and/or hypothecation of crops and the tea is consigned to us; from the subsequent sales we repay our hypothecation advances and remit any excess proceeds to the head office of the respective companies at Jalpaiguri, from whence the gardens are managed by the respective Directors, or if there is a mortgage, then surplus proceeds are credited to the mortgage account.

We have no gardens in Darjeeling or Chittagong districts, if by "District of Jalpaiguri" the Western Duars is included, our gardens are as follows—

Company.	Gardens.
Atiabari Tea Co., Ltd. ..	.. Atiabari Tea Estate.
Anjuman Tea Co., Ltd. ..	.. Mujnai Tea Estate and Makrapara Tea Estate.
Chamurchi Tea Co., Ltd. ..	.. Chamurchi Tea Estate.
Debpara Tea Co., Ltd. ..	.. Debpara Tea Estate.
Dheklapara Tea Co., Ltd. ..	.. Dheklapara Tea Estate.
Duars Union Tea Co., Ltd. ..	.. Patkapara Tea Estate.
Eastern Tea Co., Ltd. ..	.. Kalalari-Rangati Tea Estate.
Friends Tea Co., Ltd. ..	.. Gayalduba Tea Estate.
Khayerbari Tea Co., Ltd. ..	.. Nimtyjhora Tea Estate.
Northern Bengal Tea Association, Ltd. ..	.. Nedam Tea Estate.
Palashbari Tea Co., Ltd. ..	.. Gurjamen Tea Estate.
Saroda Tea Co., Ltd. ..	.. Mathura Tea Estate.

Question 2. Kindly give the acreage under cultivation, the output and the price for tea realised during the last three years of these gardens :—

Answer.—

Garden.	Acreage under cultivation.	Output during the past three years.			Prices realised in public auction during the past three years.		
		1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.
	Acres.	Mds.	Mds.	Mds.	A. P.	A. P.	A. P.
Atiabari ..	1,034	10,327	9,224	9,467	11 3	14 2	11 3
Mujnai ..	673	3,402	4,651	4,865	9 6	14 0	10 8
Makrapara ..	400	2,478	2,147	2,232	9 4	13 10	10 7
Chamurchi ..	877	6,676	5,475	4,552	10 4	14 9	11 9
Debpara ..	900	7,446	7,256	6,517	10 10	14 5	11 5
Dheklapara ..	432	3,082	2,650	2,978	9 6	13 8	10 0
Patkapara ..	571	5,887	5,648	5,410	8 10	13 3	10 5
Kalabari-Rangati ..	542	2,548	2,443	2,607	10 7	13 5	10 8
Gayalduba ..	200	1,072	909	1,050	10 4	13 3	9 4
Nimtyjhora ..	560	5,100	4,735	4,205	9 6	14 0	10 6
Nedam ..	445	3,413	3,070	2,920	9 8	13 6	9 9
Gurjamen ..	530	4,736	4,159	3,688	9 10	14 4	11 5
Mathura ..	1,084	9,402	9,995	10,846	11 5	14 2	11 3

Question 3. How many of these gardens are (a) newly-started and (b) well established? How many of them are (c) Indian concerns and (d) European concerns?

Answer. (a) and (b) All above are well established, none are new.
(c) and (d) All are Indian concerns.

Question 4. Kindly give all details, with regard to the financing of these gardens on the following points :—

(a) difference in method, if any, between newly-started and well established gardens; between Indian and European concerns;

(b) With regard to block and recurring expenditure;

(c) for purchase of machinery;

(d) sale of tea; and

(e) whether the advance is directly from your own funds or is obtained by guaranteeing a bank overdraft.

Answer. (a) In financing new concerns we make advances against a mortgage of the gardens, buildings and machinery up to an amount calculated to allow the garden to be a complete entity, i.e., advances are spread over say three years. The crop is excluded from the mortgage to allow same to be hypothecated in due course. When the garden is producing crop, same is hypothecated and any credit balance is used to reduce the mortgage debt, until extinguished. This applies to Indian gardens in our agency. We have no European concerns. Well established concerns are financed by hypothecation of crop.

(b) In well established gardens any additional block expenditure is done out of hypothecation advances, i.e., revenue.

(c) As (b).

(d) Tea is sold by public auction and proceeds retained against advances.

(e) Advances directly from our own funds.

Question 5. What is the extent of your responsibility? Does it include actual management and supervision of gardens in addition to financing?

Answer. In these particular gardens this is the extent of our responsibility; we are not concerned in actual management or supervision, except occasionally we may be asked to inspect and advise on any special point.

Question 6. What is the basis of your remuneration, e.g., a fixed percentage of (a) profits, net or gross, or (b) sales, net or gross, or both?

Answer. Our remuneration is nothing under (a) and (b). 2½ per cent. commission on gross sales only.

Question 7. Is there any other commission charged, such as commission on machinery, implements and stores which are or have to be bought through you?

Answer. 2 per cent. on any stores, implements, machinery or building materials supplied, but they are not necessarily bought through the firm.

Question 8. Has there been any change in the rate of your remuneration and/or commission in recent years?

Answer. There has been no change in our rate of remuneration for these gardens since coming into the agency 12 years ago.

P.S.—In addition to the foregoing gardens we have more on the same terms and also two gardens in Assam, of which we are Managing Agents.

4. Firms selling Agricultural Implements and Machinery.

Note.—In answering the following questions, sugarcane-presses and machinery supplied to tea gardens are to be included.

1. (a) What are the different kinds of agricultural implements and machinery sold by you in Bengal?

(b) What is the total sale of each during the last three years?

2. (a) Who are the usual purchasers?

(b) What is the relative proportion of sales (i) in cash, (ii) on credit and (iii) on the instalment system?

3. Can you suggest any measures for an increased supply to raiyats of agricultural implements and machinery on credit or under the instalment system, say on the guarantee of Co-operative Central Banks or Rural Credit Societies?

4. Are the present facilities for financing the purchase of agricultural implements and machinery adequate? What additional facilities do you suggest for the purpose?

**1.—Replies by Messrs. Marshall, Sons and Company (India), Limited,
Calcutta.**

Question 1. (a) The principal agricultural machinery sold by us in Bengal comprises tea dryers, tea rollers, tea cutters, tea packers, and other machines used in the manufacture of tea; sugarcane mills arranged for bullock-power drive and for engine-power drive, engine-driven and hand-driven pumping plants. In addition we sell a good number of rice hulling machines, and rotary oil mills or ghannies, but possibly these do not come under your heading of agricultural machinery.

(b) The total sales of tea machinery to Darjeeling, the Dooars, and other tea growing districts in Bengal, represent several lakhs of rupees annually. Our sales of sugarcane mills, pumping sets, etc., come to a value of a few thousands of rupees only.

Question 2. (a) A big proportion of our tea machinery sales in Bengal is to the Calcutta Managing Agents of tea gardens, and the balance is direct to the estate proprietors (mostly Indians). The principal purchasers of our cane mills and pumping sets are the Government Agricultural Department Farms, and a few zamindars. We have done very little business direct with the raiyats.

(b) Most of our sales are for cash, but a certain amount of tea machinery has been supplied to Indian owned tea gardens on an instalment system when payments have been guaranteed by some responsible third party.

Questions 3 and 4. In our opinion the most satisfactory system for extending the use of up to date agricultural implements and machinery by the raiyats is to facilitate their being able to purchase on credit through Co-operative Central Banks or Rural Credit Societies, these banks or societies to pay cash to the machinery suppliers (thereby obtaining the benefit of low prices) and to collect payment from the users by instalments.

2.—Replies by Messrs. Martin & Co., Calcutta.

Question 1. (a) We sell the J. I. Case Co's Kerosene Tractors threshing machines, ploughs, harrows, etc., also Ruston Pumping sets of small and portable sizes.

(b) We regret we cannot say the value, but the total sales by us in Bengal of the above machinery are very small indeed.

Question 2. (a) It is impossible to say as the man who makes the purchase sometimes acts for the real purchaser.

(b) We have only sold for cash.

Question 3. The guarantees of Co-operative Central Banks, or Rural Credit Societies would certainly be accepted by us, and would mean raiyats would be enabled to purchase agricultural machinery on credit or the instalment business.

Question 4. We do not seem to be fully conversant with the present facilities, neither do intending purchasers.

3.—Replies by Messrs. Renwick & Co., Limited, Kushtia, Eastern Bengal Railway.

Question 1. (a) Cattle-power sugarcane-crushing mills and pans for boiling juice are manufactured and *let out on hire* by us.

Engine-driven small sugarcane-crushing mills and gur preparing furnaces are manufactured and sold by us.

NOTE.—The above branch of the business has only recently been undertaken at the request of the Agricultural Department.

Motor launches are built and sold by us.

(b) Confidential.

Question 2. (a) Cattle-power mills and pans for boiling juice are let out to village cultivators.

Engine-driven mill has been sold to a zemindar.

Motor launches usually sold to members of the "bhadrolog" class for passenger services.

(b) About 10 per cent. of the hire of mills and pans is realised in cash when the mill is taken at the commencement of the cane-crushing season and the balance is paid in cash at the end of the season.

Engine-driven mills and motor launches are paid for in cash.

Question 3. The supply of sugarcane-crushing mills is adequate to the demand and no measures, other than those provided by private enterprise, are required to increase the supply.

Question 4. The present facilities are in our opinion adequate for financing the purchase or hire of agricultural implements.

We find however that as regards our business in motor launches, we are frequently asked to build launches for passenger and goods services to be paid for on the instalment system and suggest that in places where such services are essential to the agricultural development of any area, the provision of suitable vessels might be financed by loans from Central Co-operative Banks or Rural Credit Societies, who could have a lien on the profits of the services until the loan be repaid.

4.—Replies by Messrs. T. E. Thompson & Co., Ltd., Calcutta.

Question 1. (a) With reference to the different kinds of agricultural implements and machinery sold by us in Bengal, we have divided this under two heads:—

(i) *Tillage and cultivating implements.*—Under this head the principal implements are:—ploughs, harrows, cultivators, and spare parts for same.

(ii) *Harvesting and farm machinery.*—Which include reapers, thrashers, winnowers, rice shellers, chaff cutters, corn crushers, oil-cake breakers, grinding mills, sprayers, etc.

(b) (i) *Tillage and cultivating implements.*—Approximately Rs. 19,282-14-9.

(ii) *Harvesting and farm machinery*.—Approximately Rs. 10,982-4-9.

NOTE.—Under the amounts stated under sub-head (ii) harvesting and farm machinery, we do not include chaff cutting and corn-crushing machines, oil-cake breakers and grinding mills; a large number of which class of machines we sell annually to users other than agriculturists, while under both sub-heads (i) and (ii) the amounts stated represents all-India sales; we having no separate reliable statistics of sale made in the Bengal Presidency.

Neither do the amounts include sugarcane presses and tea-making machinery as these are lines which we do not presently handle.

With regard however to the former, we hope to be in a position to receive enquiries for both cattle and power-driven sugarcane-crushers well before the next crushing season.

Another important section, allied with the agricultural side of our business is our Oil Engine Department which deals with problems connected with water-supply and prime movers; both of which are essential to the successful and economic management of the modern farm or estate.

Water is one of the first essentials of cultivation, and where rainfall is capricious and in areas where irrigation canals do not exist, other sources of supply for raising water from tanks or tube-wells become necessary and it is in this branch that we specialize in small pumping sets for irrigation, de-watering and estate water-supply. On the other hand, where the need of power is required for driving farm and estate machinery such as power sugarcane-crushers, grinding mills, chaff cutters, etc., also various other industrial machines, our Petter Oil Engine is both mechanically and economically suited to do duty under such conditions.

Question 2. (a) In respect to tillage and cultivating implements, our buyers include the Agriculture Department, Agricultural Associations, private cultivators, tea estates and others interested in the pursuit of agriculture.

In respect of harvesting and farm machinery, buyers include the general public, estate owners and persons interested in the marketing of agricultural produce.

(b) We effect sales chiefly against cash, and to our approved customers we supply goods on the basis of one month's credit.

Question 3. In our answer to this question we proffer the following remarks :—

The agricultural implements and machinery side of our business for some years past has shown very slight increase; during the past two seasons, however, enquiries have been more numerous; encouraged by this recent activity, we have enlarged our stock on the presumption that an influx of business would follow.

In order to popularise the agricultural implements section of our business we have in the past set up displays of our implements and machinery at several of the various district agricultural exhibitions, country shows, melas and fairs held annually at different centres in

the presidency. We have also steadily sent a representative range of agricultural goods for exhibition on board the Eastern Bengal Railway Demonstration Train ever since its inception.

At most of these gatherings we endeavour to arrange for ocular demonstration, preferably by our own staff.

In addition to the foregoing form of advertisement we issue periodically illustrated catalogues, leaflets, showcards, etc., printed in both English and Bengali, besides which there appear regularly in several of the English and vernacular newspapers and magazines our occasional advertisements.

Our illustrated agricultural implements wall hanger has been issued free to most of the district and village agricultural associations in Bengal with the hope that it would assist members, in a pictorial manner, by way of making a selection of suitable farm implements.

In reply to the last paragraph of this question we are quite agreeable to consider a fair trial being given to the system of supplying certain agricultural implements and machines to bona fide cultivators on credit terms or under the instalment system, on the guarantee of the Co-operative Central Banks and/ or approved Rural Credit Societies.

Question 4. Not having definite information as to the facilities provided at present for financing the purchase of improved agricultural implements and machines, we are unable to express an opinion in this connection.

Our feeling, however, in the matter of suggesting additional facilities for the purchase of agricultural implements generally is:—

Firstly.—In the case of bona fide raiyats who are unable to meet the amount of their orders by cash payment, aid may be given them by one or other of the agencies mentioned in question (3) or possibly through approved District Agricultural Associations.

Secondly.—That the Agricultural Department may be approached with a request to assist, when asked to do so, in approving as to the suitability (not as salesman but in an advisory capacity) of a certain new and improved tool or machine for the specific duty for which it is required.

5.—Replies by Messrs. W. Leslie & Co., Calcutta.

Question 1. (a) We attach a list of agricultural machinery we deal in, and import, and which in some cases we manufacture.

(b) Regret, cannot say. Would mean going through our books for the last three years, making an extract.

Question 2. (a) Upcountry landowners, sugarcane and tea gardens, and the various Government agricultural colleges and departments.

(b) Chiefly in cash, Government on credit, no instalment system.

Questions 3 and 4. Most certainly, the instalment system would increase sales to raiyats, but it is doubtful whether private firms would entertain an instalment plant without some guarantee as to payment.

Annexure.

Motor tractors.
Ploughs.
Cultivators.
Irrigation pumps.
Sprayers and syringes.
Tools of all descriptions including kodallies, land measuring chains, pruning knives, saws, matches, etc.
Monkey jack and monkey stump extractors.
Post hole augers.
Mowers (hand and motor).
Reapers.
Rollers.
Fencing and posts.
Netting and accessories.
Grinding mills for flour, atta, rice, maize, etc.
Rice pulling machines.
Engines for driving above machines.
Thrashing and winnowing machines.
Corn, oat and gram crushers.
Chaff cutters.
Oil-cake breakers.
Horse and bullock gears.
Hay baling presses.
Harrows.
Incubators.
Cream separators.
Churns.
Butter washers.
Dairy appliances, etc.

5. The District Judges [regarding the working of the Usurious Loans Act X (of 1918)].

Questions

(issued to all District Judges in Bengal).

1. To what extent is the Usurious Loans Act (Act X of 1918) availed in your locality? What measures would you suggest for greater use ing made thereof?
2. Is there any standard rate of interest followed by courts for (a) secured and (b) secured loans in applying the Act?

3. Is the Act being evaded by the taking of a bond for a larger amount than is actually advanced to the debtor, or in any other way?

Concrete instances of complaints based on usurious rates of interest or heavy accumulation of debts should be supplied, if possible.

Replies.

(1) Mr. K. C. Nag, M.B.E., Bar.-at-Law, District Judge of Hooghly—

As far as my information has been gathered from the subordinate judicial officers under my Judgeship, very little use has been made of the Usurious Loans Act (Act X of 1918) in giving relief to the debtors. The reasons are not far to seek. The debtor in this country is absolutely helpless in the hands of the money-lenders. The defendant in a suit is afraid of displeasing his village creditor to whom he would have to resort soon after the disposal of the suit for a further loan. So he thinks it would be dangerous for him to fight out his case if the interest is excessive. Then, again, the attempt of the Court is not infrequently baffled, if it gives some relief to the defendant under the Usurious Loans Act for the decisions of the High Court and of the Privy Council have practically made the Act a dead-letter or nullity. (Vide 23 C. W. N., page 233; 33 C. W. N., page 389). As the subordinate courts are helpless in giving relief to the debtors, I would like to suggest some measures for greater use being made of the Usurious Loans Act in this way:—

(a) That the rule of Damdupat should be extended to areas outside Calcutta in Bengal and to Hindus and non-Hindus alike;

(b) That there should be an addition of a second explanation to section 3 (2) of the Usurious Loans Act to the following effect:—“In the case of a sum not less than Rs. 10 carrying simple interest at a rate higher than 6 pies per rupee per mensem, or compound interest at a rate higher than 3 pies per rupee per mensem, with yearly rests, and in the case of a loan of paddy or other kinds of coin carrying simple interest at a rate higher in substance or effect than 50 per cent. per annum or compound interest at a rate higher in substance or effect than 25 per cent. per annum, with half-yearly rests, interests shall be presumed to be excessive, and the transaction shall be presumed to be unfair.”

2. It has been suggested to me by all the courts under this Judgeship that no standard rate of interest is followed in this Judgeship for unsecured and secured loans in applying the Act. The rate of interest for unsecured loan varies from 6 pies in the rupee to 1 anna per rupee per month and the rate of secured loan varies from 1 per cent. to 2 per cent. per month with compound interest after a year. As suggested above, there should be a standard rate of interest for the better guidance of the courts and parties instead of leaving it to the “discretion” of the court. The vagueness of the word “discretion” accounts for the decisions of the lower courts being upset by the higher appellate courts after the “discretion” was exercised by the lower courts.

3. On perusal of the reports of the subordinate courts, I find that there was no case in which bond was taken for a larger amount of money than what was advanced to the debtor. None of the Judicial officers under this Judgeship has been able to furnish me with concrete instances:

of complaints based on usurious rates of interest except my learned subordinate Babu Bhabesh Chandra Sen Gupta, munsif, 1st Court, Serampore, a copy of whose report No. 470, dated 26th November 1929, enclosed herewith is worth reading in this connexion as a sort of thesis.

4. I agree with Mr. Garlick, Additional District Judge of Hooghly at Howrah, that in urban areas the Insolvency Act proves more efficacious to debtors than the Usurious Loans Act. Hand-notes are executed at a heavy rate of interest, but as soon as the debt exceeds Rs. 500, the debtor applies to be declared an insolvent. This is no doubt a panacea for all panic for the urban debtor, but there is no remedy to be found for the rural debtor.

Extract from letter No. 470, dated 26th November 1929, from Mr. Bhabesh Chandra Sen Gupta, Munsif, 1st Court, Serampore.

Point 2.—That there is no general standard rate of interest in applying the Usurious Loans Act. As has been humourously stated by a great Lord Chancellor—I think it is Lord Eldon—with respect to Equity that “It varies with the Chancellor’s foot—” some Chancellor having long foot and some short one. The same remark applies with respect to the rate of interest. It varies with the Judge exercising judicial discretion. Moreover no hard and fast rule has been laid down, each case being decided on its own merits, circumstances, the relation of the parties and the failure of the defendant.

Roughly it may be stated, the rate of interest allowed by this court in applying the Act with regard to (a) secured loans varies from 12 per cent. to 18 per cent. per annum.

Reasons.—In Bengal, interest at 1 per cent. is usual current rate. It has been judicially observed so in 26 Cal. P. 955 to 962 (by Messrs. Maclean and Banerjee).

Any reduction below that rate is not legally sustainable. In the recent case of Ram Krishna Kuloshi *versus* Herambo Chandra Roy reported in 33 C. W. N., P. 389 (dated 8th January 1929), the Sub-Judge reduced the stipulated rate of 12 per cent. per annum with yearly rests on mortgage, but the High Court (Mr. B. B. Ghosh and Mr. Panton J.J.) interfered.

(b) With respect to unsecured debts.—I do not allow any higher rate than 24 per cent. per annum and I am not without authority.

14 Bombay P. 200 where interest at 75 per cent. was reduced to 24 per cent. as the highest rate allowed.

It may be noted that here at Serampore the claims of interest are generally laid at 37½ per cent. per annum or at 2 pice per rupee per month. This rate itself is penal (2 A. P. 715). These cases were reviewed by Mr. Mukherji J. in 19 C. W. N., P. 775.

Point 3.—So far as I remember in any case before me, it has not been proved that bond was taken for a larger amount than what was actually advanced though the plea is sometimes taken.

But I noticed another practice, though not in this district, to evade the law. I judicially noticed in a series of cases amongst the Muhammadans in the district of Noakhali that consideration money was in cash,

but in the bond it was noted paddy worth the amount, the condition was repayment of double the amount and in default betelnut or supari valued at money worth (an exorbitant rate) was to be paid in addition and the suit filed as money suit. These being mere flukes though unsuccessful to evade the Loans Act and also to satisfy the qualms of conscientious scruples of Muhammadans against injunctions of levy of interest.

Point 1.—In the area over which this court exercises jurisdiction the provisions of Usurious Loans Act are largely invoked and redress given to the litigants. It is not possible to furnish details just now as most of the records have been transmitted to the District Record Room.

From the records at hand I find concrete cases—

In T. S. No. 149 of 1928, interest was claimed at $37\frac{1}{2}$ per cent. per annum. Principal was Rs. 100, interest claimed Rs. 380. The bond was dated 17th October 1917, and I had to allow this exorbitant rate on the basis of the Privy Council decisions reported in 23 C. W. N., P. 130, 233 as the document was prior to the passing of the Usurious Loans Act, X of 1918.

In T. S. No. 415 of 1926, interest claimed on the basis of the bond at 84 per cent. per annum. Interest was allowed at 25 per cent. per annum.

In T. S. No. 104 of 1929, interest was claimed on the basis of the bond at $37\frac{1}{2}$ per cent. per annum, allowed at 18 per cent. per annum.

In T. S. No. 302 of 1929, interest claimed at 24 per cent. per annum, allowed at 18 per cent. per annum.

In T. S. No. 330 at 24 per cent. per annum, allowed at 18 per cent. per annum.

In S. C. C. Case No. 81 of 1929, interest claimed at 75 per cent. per annum, allowed 25 per cent. per annum.

In S. C. C. Case No. 103 of 1929, interest claimed at $37\frac{1}{2}$ per cent. per annum, allowed 20 per cent. per annum.

In S. C. C. Case No. 120 of 1929, interest claimed 75 per cent. per annum, allowed $18\frac{1}{2}$ per cent. per annum.

Suggestion.—I would suggest that the legislature—

(1) Would fix some sort of definite general court rate of interest, of course leaving ample room for judicial discretion. I think that it would not be a departure from the line of action followed.

Inasmuch as in mortgage suits future interest has been fixed at 6 per cent. per annum as usual practice on judicial decision (10 C. L. J., p. 203).

In the recent Bengal Tenancy Amendment Act of 1929, the legislature in section 148 (i) directs that the plaintiff shall get interest at 6 per cent. per annum on decretal dues till realisation—a point which was previously left vague.

I would also suggest—

(2) A remodelled rule of Damdupat of universal application. The present surviving relic of the old Hindu Rule of Damdupat (a word of Bombay origin) still forbids the Hindus only of the two cities of Calcutta and Madras and the whole of Bombay Presidency to demand from Hindu debtor interest exceeding the principal in amount.

But it is so restricted and there is no limit to the amount of interest, if the interest be paid in smaller sum than the principal.

By the remodelled rule of Damdupat the creditor shall never be able to receive more than double the amount advanced and it would be of universal application being a Statutory Act.

The principles are sanctioned by Hindu Law, *vide* Goutama XII, 31. "If the loans remain outstanding for a long time the principal may be doubled after which interest ceases" noted in Ghose's Hindu Law, P. 452, Basista 11, 44, and also congenial to Muhammadan religion which forbids usury and Christian maxims. It gives ample scope to the money-lender. The State no longer follows the doctrine of "laissez faire" or let alone policy, as it did in the middle of the last century in repealing amongst others the Usury Laws of England and also in India (Act 38 of 1855). The State should interfere as it has been doing in several matters, for as Bacon said "The problem of legislator is to solve how the tooth of usury be grinded that it bite not too much."

(2) Mr. B. K. Basu, M.A. (Cantab.), I.C.S., District Judge of Burdwan—

The provisions of the Usurious Loans Act are availed of in this district whenever the nature of cases for decision calls for their application. But, when the cases are dealt with under section 3 of the Act, the debtors find it very difficult to prove that the interest is excessive in the cases and that the transaction is substantially unfair. To give greater facility to the provisions of the Act, the rate of interest for secured and unsecured debts in different localities of the province may be standardised.

2. There is no standard rate of interest in courts for secured and unsecured loans. But generally 12 to 24 per cent. per annum is allowed for secured loans and 37½ per cent. per annum for unsecured loans.

3. No instance of evasion of the Act by taking a bond for a larger sum than what is actually advanced has come to the notice of the courts.

4. Instances of cases in which complaints were filed on usurious rate of interest are given below. In these cases, the money-lenders were generally Kabulis and Marwaris.

Munsif, 4th Court, Burdwan.—S. C. C. Suit No. 5 of 1925 (rate of interest 150 per cent. per annum); S. C. C. Suit No. 231 of 1929 (rate of interest 72 per cent. per annum); S. C. C. Suit No. 360 of 1929 (rate of interest 112½ per cent. per annum); Money Suit No. 1597 of 1928 (rate of interest 60 per cent. per annum).

Munsif, 1st Court, Katwa.—S. C. C. Suits Nos. 443, 505, 590, 601, 619, 624, 651, 652, and 894 of 1929 and Money Suits Nos. 441 and 734 of 1929 (rate of interest in all the cases 150 per cent. per annum).

Munsif's Court, Kalna.—S. C. C. Suit No. 250 of 1920 (rate of interest 150 per cent. per annum).

(3) Mr. S. M. Masih, Bar-at-Law, District Judge of Birbhum—

These cases do not come up before the District Judge except on appeal. I therefore called for the opinion of the subordinate courts and copies of their opinions are forwarded to you as they will show the different conditions prevailing in the different parts of the district.

I however agree with the opinions of the subordinate courts that there should be standardised rates of interests for different classes of loans, as I think this will afford some amount of protection to the debtors.

(I)

**Extract from letter No. 80, dated 20th November 1929, from
Mr. Atul Chandra Canguli, Subordinate Judge, Birbhum.**

(1) The Usurious Loans Act is fairly availed of in this locality. I beg to suggest that it may be laid down that certain standard rates of interest, if exceeded, may be reduced without further evidence.

(2) There is no standard rate of interest followed by courts here for (a) unsecured and (b) secured loans in applying the Act. I would suggest that standard rates at 12 per cent per annum for secured debts and 24 per cent. per annum for unsecured debts may be fixed by statute.

(3) No case of this stamp has come to my notice here.

(II)

**Extract from letter No. 135, dated 27th November 1929, from
Mr. Phanindra Nath Mitra, Munsif of Suri.**

1. In most of the cases the debtors take objections against claim for usurious interest. I suggest that for greater use the legislature may provide for some standard rates of interest under different circumstances.

2. There is no standard rate of interest followed by courts. So far however as my experience goes, the usual rate of interest for unsecured loans of sum less than Rs. 100 is 37½ per cent. per annum and for secured loans 24 per cent. per annum. These rates decrease if the principal be more than Rs. 100.

3. No such instance came to my judicial notice.

Instances of complaints based on usurious rate of interest—

(1) S. C. C. Suit No. 65 of 1929 (plaintiff Nabab Khan Kabuli *versus* defendant Syam Lal Roy).

Suit on hand-note—	Rs.
Principal	16
Interest at 2 annas per rupee per month	26
	—
	42
	—
Paid	12
	—
Present claim	30

(2) S. C. C. Suit No. 66 of 1929 (plaintiff Nabab Khan Kabuli *versus* defendant Kaleswar Bauri).

Suit on hand-note—	Rs.
Principal .	18
Interest at 2 annas per rupee per month	81
	—
	99
Paid	63
	—
Present claim	36
	—

(3) S. C. C. Suit No. 67 of 1929 (plaintiff Nabab Khan Kabuli *versus* defendant Tulsi Ram).

Suit on hand-note—	Rs.
Principal	16
Interest at 2 annas per rupee per month ...	58
	—
	74
Paid ...	46
	—
Present claim ...	28
	—

(4) S. C. C. Suit No. 68 of 1929 (plaintiff Nabab Khan Kabuli *versus* defendant Upendra Dome).

Suit on hand-note—	Rs.
Principal	20
Interest at 2 annas per rupee per month ...	90
	—
	110
Paid ...	75
	—
Present claim ...	35
	—

(III)

Extract from letter No. 170, dated 27th November 1929, from Munsif, 1st and 2nd Courts, Bolpur.

The Usurious Loans Act is not given effect to unless a fit case is represented to the Court. There is no fixed rate of interest that is adopted by the courts here, but in cases where exorbitant rate of interest is claimed, due considerations are given and interests are then allowed at a rate that appears reasonable to the courts according to the circumstances of the case. As regards the point No. 3, I beg to state that the like instances are seldom brought to the notice of the courts here.

(IV)

**Extract from letter No. 146, dated 20th November 1929, from
Mr. Nishikanta Banerjee, Munsif of Dubrajpur.**

Reply to No. 1.—In most of the mortgage, money and S. C. C. suits filed here the defendant invokes the aid of the Usurious Loans Act, but the court generally fails to help on two grounds:—

(a) The trend of decision in force now is against these defendants especially in suits on mortgage-bonds.

To begin with 23 C. W. N., page 133, a Privy Council decision allows a very high rate.

In 101 P. R. 1918 P. C. Mr. Justice Amir Ali observes; "It is difficult for Court of Justice to give relief when there is no evidence of undue advantage."

In 124 P. R. 1918 P. C. remarks almost to that effect are made.

8 Lahore 205 P. C. also allows a high rate.

In 8 Lahore 721 all the previous rulings are reviewed and the interest higher than the principal is allowed.

In 7 Patna 294 P. C. high compound rate is allowed.

In 33 C. W. N. P. xl (notes) stipulated rate is not reduced.

In 33 C. W. N., 388 it is held that the court can not interfere.

In 33 C. W. N. 921 P. C. high compound rate is allowed.

These authorities are not all on mortgage bonds; some, e.g., 33 C. W. N. 921, are on simple money claims. All these go to show that the court should not interfere with what the parties have agreed upon.

(b) As for the Usurious Loans Act, section 3 is pertinent to the subject. It has been repeatedly held that in order to get its help, the defendant must show that the rate of interest was both excessive and unfair.

8 Lahore 205 P. C. cited above is one of the authorities on this point.

The latest decision of 56 Cal. 960 emphasises this point very much.

As I find here though the defendant wants the help of the Usurious Loans Act in his pleadings, yet in not even a single case he is prepared to go further and adduces evidence as to the unfairness of the transaction and the excessive nature of the interest. For him such evidence is very difficult and costly. Probably the defendant thinks it better to pay his creditor than to incur such costs which may or may not help him. And the Court is powerless without such evidence. The remedy is in the hands of the legislature a standard rate may be fixed and the onus of proof of claim of interest higher than the standard rate may be shifted on to the plaintiff.

In this connection I beg to add herewith a list of my pending file of mortgage, money and S. C. C. suits showing the rates claimed in them. From the list it will appear that the Mortgage Suit No. 144 of 1929 and S. C. C. Suit No. 330 of 1929 are for very high rates. They are pending, so I cannot say what the decision in them will be. In S. C. C. Suit No. 393 of 1929 for want of evidence, I had to allow the high rate of Rs. 6-4 per cent. per mensem. As for the disposed of suits, as the records are not here I am not in a position to compare their rates.

The general rate here is at Re. 1 to Re. 1-9 per cent. per mensem for secured debts and Rs. 3-2 per cent. per mensem for unsecured debts.

I arrive at these rates from my experience here.

2. There is no standard rate of interest and the courts have got to follow the evidence in each particular case.

3. No case of such evasion has come to my notice.

List of suits showing the rates of interest claimed in them.

<i>Mortgage Suits.</i>		<i>Money Suits.</i>		<i>S. C. C. Suits.</i>	
No.	Rate.	No.	Rate.	No.	Rate.
	Per cent. per month.		Per cent. per month.		Per cent. per month.
	Rs. A.		Rs. A.		Rs. A.
145	1 6	6 of 1929	1 0	192 of 1929	1 0.
146	1 9	35 of 1929	1 0	253	2 8.
147	2 2	37	1 0	315	3 2.
(with yearly rest).					
117	1 9	75	1 9	327	2 0.
135	1 4	73	3 2	330	6 4.
141	1 9	25	1 9	371	2 8.
142	1 0	57	2 0	379	3 2.
with yearly rest).					
144	3 3	59	1 0	405	3 2.
148	0 12	51	1 0	406	2 8.
149	1 4			407	1 9.
150	1 2			418	1 9.
compound).					
155	1 9			419	3 2.
159	1 2			421	1 2.
compound).					
160	1 0			422	3 2.
171	1 0			423	1 9.
(compound).					
173	3 2			424	1 9.
179	3 2			439	1 9.
180	1 9			443	1 9.
(compound).					
184	2 8			444	3 2.
(compound).					
				393	6 4.
(disposed of).					

(V)

Extract from letter No. 205, dated 27th November 1929, from the Munsifs of Rampurhat.

The Usurious Loans Act is being availed of only to a very small extent and is generally confined to only S. C. C. suits. We are seldom asked to re-open a transaction and the application of the said Act is limited.

only to cases where rate of interest appears on the face of it to be excessive and the transaction appears to be substantially unfair between the parties. The conditions imposed upon by the sub-sections of section 3 of Usurious Loans Act for re-opening a transaction and the evidence necessary for giving relief to the debtor are so very stringent [as also pointed out by the Lordship in the case reported in 33 C. W. N., page 40 (n)] that it becomes hardly possible for a poor debtor to establish his contention, though he seeks relief in the plaint under the Usurious Loans Act. We are of opinion that if the provision of section 3 be simplified and the rate of interest to be allowed be left entirely at the discretion of the court (as in the case of costs and damages) after considering all the circumstances of each particular case the benefit of the Usurious Loans Act may be extended freely to the debtors. The debtors may also be prompted to seek relief under the provisions of the Usurious Loans Act, as much as they can.

2. In case of unsecured debts the rate of interest as generally allowed is 6 pies per rupee per month, but in case of secured loans no such fixed rate is followed, but compound interest is generally disallowed.

3. We believe that in some cases the creditors try to evade the provisions of the Usurious Loans Act by the taking of a bond for a larger amount than is actually advanced to the debtor and in one case (S. C. C. Suit No. 222/29) the plaintiff took a handnote for Rs. 30, while he actually advanced Rs. 15 and the rate of interest was 1½ pies per rupee per day. The defence established the case and the interest was reduced to 6 pies per rupee per month.

A list of S. C. C. cases and some money suits is enclosed herewith showing usurious rates of interest claimed as well as the interest allowed of both the courts, but such list of money and mortgage suits cannot be supplied without checking the records, as the records have been transmitted to the District Record Room.

List of S. C. C. suits and some money suits showing usurious rates of interest claimed by the party as well as the interest allowed by the Court.

Serial No.	No. of suits.	Interest claimed by the party.		Interest allowed by the Court.	
		Rs.	A. P.	Rs.	A. P.
			Per rupee per month.		Per rupee per month.
1	13 of 1929	.. 0	0 9 (simple)	.. 0	0 6 (simple).
2	19 of 1929	.. 0	2 0 (simple)	.. 0	0 6 (simple).
3	23 of 1929	.. 0	2 0 (simple)	.. 0	0 6 (simple).
4	25 of 1929	.. 0	2 0 (simple)	.. 0	0 6 (simple).
5	26 of 1929	.. 0	2 0 (simple)	.. 0	0 6 (simple).
			per cent. per month.		per cent. per annum.
6	29 of 1929	.. 0	2 0 (simple)	.. 0	0 6 (simple).
7	30 of 1929	.. 0	2 0 (simple)	.. 0	0 0 (simple).

Serial No.	No. of suits.	Interest claimed by the party.		Interest allowed by the Court.	
		Rs.	A. P.	Rs.	A. P.
8	40 of 1929	.. 2	0 0 (simple)	.. 12	0 0 (simple).
9	43 of 1929	.. 2	0 0 (simple)	.. 12	0 0 (simple).
10	44 of 1929	.. 3	0 0 (simple)	.. 12	0 0 (simple).
			Per rupee per month.		Per rupee per annum
11	46 of 1929	.. 0	0 9 (simple)	.. 0	0 6 (simple).
12	136 of 1929	.. 0	0 9 (simple)	.. 0	0 6 (simple).
			Per cent. per month.		Per cent. per month.
13	155 of 1929	.. 2	0 0 (simple)	.. 1	0 0 (simple).
			Per rupee per month.		Per rupee per month.
14	167 of 1929	.. 4	0 0 (simple)	.. 0	0 6 (simple).
			Per rupee per month.		Per rupee per month.
15	254 of 1929	.. 0	1 0 (simple)	.. 0	0 6 (simple).
16	268 of 1929	.. 0	0 6 (compound)	0	0 6 (simple).
17	98 of 1929	.. 0	0 6 (compound)	0	0 6 (simple).
18	181 of 1929	.. 0	0 6 (compound)	0	0 6 (simple).
19	106 of 1929	.. 0	0 6 (compound)	0	0 6 (simple).
20	202 of 1929	.. 0	0 6 (compound)	0	0 6 (simple).
21	221 of 1929	.. 0	0 6 (compound)	0	0 6 (simple).
			Per cent. per month.		Per cent. per month.
22	345 of 1929	.. 2	0 0 (simple)	.. 1	0 0 (simple).
23	379 of 1929	.. 2	0 0 (simple)	.. 1	0 0 (simple).
			Per rupee per day.		Per rupee per month.
24	222 of 1929	.. 0	0 1½ (simple)	.. 0	0 6 (simple).
			Per rupee per month.		Per rupee per month.
25	M. S. 1074 of 1929	.. 0	0 6 (compound)	0	0 6 (simple).
26	M. S. 530 of 1929	.. 0	0 6 (compound)	0	0 0 (simple).
			Per day.		
27	M. S. 274 of 1929	.. 0	12 0 (simple)	..	The interest was calculated at Rs. 405, out of which the plaintiff gave up the claim for Rs. 358 and deducted that amount from his claim. The suit was decreed ex parte for Rs. 109 in all.

Serial No.	No. of suits.	Interest claimed by the party.		Interest allowed by the Court	
		Rs.	A. P.		
		Per rupee per month.			
28	M. S. 379 of 1929	.. 0	1 0	(simple)	.. Compromised.
29	M. S. 21 of 1929	.. 0	0 6	(simple)	.. Compromised. The plaintiff gave up a large portion of the interest due.
30	M. S. 267 of 1929	.. 0	0 6	(simple)	.. Ex parte.
31	M. S. 364 of 1929	... 0	1 0	(simple)	.. Compromised.

(4) Mr. J. De, I.C.S., Officiating District Judge of Bankura—

(1) & (2) The rates of interest charged for in suits are not usually excessive and so the Usurious Loans Act (Act X of 1918) is not much availed of in the munsifs' courts. In cases where the interest is unfair and excessive, the courts always exercise discretion in favour of the debtors. The rate of interest is generally not more than one pice per rupee per month in both cases of secured and unsecured debts and the Court seldom interferes with this rate. Besides the debtors do not usually raise any objection against this rate.

There is no standard rate of interest followed by the Courts for secured and unsecured loans in applying the Act.

(3) There appears to have been no cases in any of the Civil Courts here in which the Act was evaded by the taking of a bond for a larger amount than is actually advanced to the debtor, or in any other way.

No instance of any plaint based on usurious rates of interest or heavy accumulation of debts has been brought to light.

(5) Mr. T. B. Jameson, M.C., I.C.S., District Judge of Midnapore—

(1) The Act is very seldom availed of, and in cases where the debtor does not take advantage of it, it is very seldom that a case of undue pressure by the creditor is made out. There are certain rulings of the Privy Council and of the High Court which stand in the way of reducing the rate of interest unless it can be proved—and it is very difficult to prove—that the creditor has taken undue advantage of his position to dominate the will of the borrower. I am very conscious of the desirability of a wider application of the Act, but under the law as it stands at present I do not see that this can be done. In the case of one of the subordinate courts where the Act is applied, I have had to interfere in appeal on several occasions as the munsif concerned has reduced the rate of interest merely on the ground that he thinks it is excessive. This the law does not allow. It has been suggested by some of the officers of subordinate courts that the provisions of the Act should be made more widely known by the issue of the Bengali translations. I do not see however that this is going to affect matters to any extent, except that it might lead to a great deal of dishonesty since debtors would agree voluntarily to higher rates of interest with the intention of taking refuge under the Act when the claim was made in Court. The only solution which I can see is an extension of co-operative banking.

(2) There is no standard rate of interest followed by courts for unsecured and secured loans in applying the Act. Rate of interest is usually reduced to what in the opinion of the court itself is a reasonable rate.

(3) I am informed that no cases of evading the Act have come to the notice of the subordinate courts by the taking of bonds for a larger amount than is actually advanced, but in my own experience as an Insolvency Court I have reason to believe this is very prevalent in Kharagpur where the workshops of the Bengal-Nagpur Railway are situated. The normal rate of interest there charged by up-country money-lenders is 5 per cent. per month and it is not unusual for a debtor when borrowing Rs.-50 to sign the hand-note for double the amount at the rate of interest I have quoted. After a short period, say one year, capital and interest are then consolidated into a fresh bond at the same or even a higher rate of interest. The result, of course, is that the dues of the creditor increase at an alarming rate and the debtor is forced into the Insolvency Court.

I regret that I am unable to supply details of complaints based on usurious rates of interest, with following exception:—Small Cause Court Suit No. 945 of 1929 in the Court of the 2nd Munsif at Contai based on a pro-note, dated 5th September 1926, for Rs. 45, stipulated rate of interest is one anna per rupee per month. The suit was instituted on 4th September 1929 and interest claimed was Rs. 101-4 for three years. Claim was laid at Rs. 146-4. The suit was decreed *ex parte* and the rate of interest was reduced by the munsif.

(6) Mr. C. C. Sankey, I.C.S., District Judge of 24-Parganas—

The consensus of opinion of all the Judicial Officers who try money and mortgage suits in this district on the various points raised in your letter under reply is as follows.

2. As to the first point, the Usurious Loans Act (Act X of 1918) is availed of in this district, but not to its full extent for three reasons:—

(a) There are many rulings of the highest courts to the effect that the contract rate should not be interfered with unless the defendant can make out a case under sections 16 and 73 of the Contract Act.

(b) Ignorance of illiterate people of the locality of the provisions of the Act.

(c) Money borrowed under stress of great necessity.

As remedy against (a) they suggest amendment of the Act; against (b) greater diffusion of the knowledge of the provisions of the Act through the agencies of the municipality, union board and the village school; and as against (c) establishment of co-operative banks on a larger scale.

3. As regards the second point, there is no standard rate of interest followed by the courts. The rate of interest generally allowed is 12 per cent. for the secured debts and 37½ per cent. for the unsecured. The principle of the rule of *Damdupat* is also applied in most cases.

4. As to the third point, no case of evasion of the Act by the manner suggested has ever come to the notice of the Courts.

5. In view of the provisions in the Act, plaintiffs themselves now reduce their claims to reasonable limits when they file their suits, but instances are not rare in which complaints are filed based on usurious rate of interest or heavy accumulation of debts. A few concrete instances of such complaints will be found in the annexed list.

List of concrete instances of complaints and usurious rates of interest.**Subordinate Judge, 1st Court, 24-Parganas—**

- (1) S. C. C. Suit No. 106 of 1929 on a bond bearing 75 per cent interest.
- (2) S. C. C. Suit No. 137 of 1929 on a hand-note bearing 96 per cent. interest.

Subordinate Judge, 2nd Court, 24-Parganas—

- (1) Money Suit No. 38 of 1929, interest was charged at 112½ per cent. per annum.
- (2) S. C. C. Suit No. 143 of 1929, interest was charged at the rate of 30 per cent. per annum.

Subordinate Judge, 3rd Court, 24-Parganas—

- (1) S. C. C. Suit No. 142 of 1929.
- (2) S. C. C. Suit No. 239 of 1929, interest claimed was 1 anna 6 pies per rupee per month.
- (3) S. C. C. Suit No. 209 of 1929, interest claimed was 10 per cent. per month.

Subordinate Judge, 4th Court, 24-Parganas—

- (1) M. S. No. 67 of 1929, interest at 37½ per cent. per annum.
- (2) T. S. No. 129 of 1929, interest at 75 per cent. per annum.
- (3) S. C. C. Suit No. 167 of 1929, interest at 108 per cent. per annum.
- (4) S. C. C. Suit No. 2 of 1928, interest at 37½ per cent. per annum.
- (5) S. C. C. Suit No. 48 of 1928, interest at 75 per cent. per annum.
- (6) S. C. C. Suit No. 58 of 1928, interest at 75 per cent. per annum.
- (7) S. C. C. Suit No. 91 of 1928, interest at 75 per cent. per annum.

Additional Subordinate Judge, 4th Court, 24-Parganas—

- (1) M. S. No. 96 of 1929 in which the principal was Rs. 300 and interest claimed was Rs. 3,700.
- (2) M. S. No. 98 of 1929 in which the principal was Rs. 400 and interest claimed was Rs. 1,598.

Munsif, 2nd Court, Baraset—

- (1) S. C. C. Suit No. 634 of 1929, interest claimed was 75 per cent. The Court allowed 37½ per cent. per annum.

Munsif, 2nd Court, Baruipore—

- (1) S. C. C. Suit No. 585 of 1929, interest has been charged at 57½ per cent.
- (2) S. C. C. Suit No. 619 of 1929, interest has been charged at 75 per cent.
- (3) S. C. C. Suit No. 661 of 1929, interest has been charged at 75 per cent.
- (4) S. C. C. Suit No. 676 of 1929, interest has been charged at 75 per cent.

Judge, Small Cause Court, Sealdah—

- (1) Suit No. 2145 of 1928, pro-note provides payment of interest at 75 per cent. per annum.
- (2) Suit No. 2221 of 1929, pro-note provides payment of interest at 60 per cent. per annum.
- (3) Suit No. 2147 of 1929, pro-note provides payment of interest at 150 per cent. per annum.

(7) P. C. De, I.C.S., District Judge of Jessore—

(1) The Usurious Loans Act is very seldom availed of in this district either by the parties or by the courts. Sub-courts favour the introduction of the law of Damdupat as a helpful measure.

(2) The standard rate of interest followed by courts in this district is ½ anna per rupee per month, both for secured and unsecured loans of small amounts. The rate for larger amounts is less, but there is no standard rate for all the courts, it depending on their discretion.

(3) No courts report that the debtor ever pleaded that the bond was taken for a larger amount than was actually advanced. So I am not in a position to say if the provisions of the Act are evaded in that way.

I submit herewith some instances of heavy accumulation of debts on small principal loan at a high rate of interest:—

(i) S. C. C. Suit No. 20 of 1929—Interest claimed at 1 anna per rupee per month.

(ii) S. C. C. Suit No. 351 of 1929—Interest at 6 pies per rupee, principal Rs. 25; interest Rs. 62-4, decreed on compromise for Rs. 73.

(iii) S. C. C. Suit No. 379 of 1929—Principal Rs. 26, interest Rs. 67-13-6, decreed with costs on confession.

(iv) S. C. C. Suit No. 406 of 1929—Principal Rs. 25, interest Rs. 100-12-6, decreed on confession with costs.

(v) Suit No. 433 of 1929—Principal Rs. 10, interest Rs. 29-13, decreed *ex parte* with costs.

(vi) S. C. C. Suit No. 464 of 1929—Principal Rs. 10, interest at 9 pies per rupee, Rs. 20, decreed *ex parte* with costs.

(vii) S. C. C. Suit No. 510 of 1929—Principal Rs. 25, interest Rs. 75-12-6, decreed *ex parte* with costs.

(viii) S. C. C. Suit No. 521 of 1929—Principal Rs. 10, interest Rs. 24-6, dismissed on full satisfaction.

(ix) S. C. C. Suit No. 546 of 1929—Principal Rs. 20, interest Rs. 50, decreed *ex parte* with costs.

(x) S. C. C. Suit No. 547 of 1929—Principal Rs. 30, interest Rs. 80-10, dismissed for default.

(xi) S. C. C. Suit No. 627 of 1929—Principal Rs. 20, interest Rs. 88-2, decreed *ex parte* with costs.

(8) Mr. S. N. Modak, I.C.S., District Judge of Nadia—

Point 1.—The Act is freely availed of by all the civil courts in this district whenever occasion arises. I do not think any other measure is needed for greater use being made of the Act.

2. Point 2.—There is no standard rate of interest which is followed by the civil courts of this district for unsecured and secured loans in applying the Act. Interest is allowed by the courts according to the circumstances of each case.

3. Point 3.—Cases for evading the Act in the manner stated above are very rare. But in some cases it was found that the consideration recited in the bond was greater than the money actually advanced.

4. Point 4.—The following is a list of cases based on usurious rates of interest or heavy accumulation of debts:—

Name of Court.	No. of case.	Principal amount.	Interest claimed.	Rate of interest.
		Rs. A P.	Rs. A. P.	Rs. A. P. Per cent. per annum.
Munsif, 1st Court, Krishnagar	S. C. C. Suit No.—			
	1920 of 1929 ..	50 0 0	118 12 0	150 0 0
	807 of 1929 ..	50 0 0	89 1 0	56 4 0
	1811 of 1929 ..	50 0 0	200 0 0	150 0 0
	1809 of 1929 ..	32 0 0	132 0 0	150 0 0
	1808 of 1929 ..	40 0 0	75 0 0	150 0 0
Munsif of Meherpur ..	Mortgage Suit No.—			
	777 of 1929 ..	150 0 0	472 0 0	37 8 0
	1313 of 1929 ..	199 0 0	357 0 0	18 12 0
Munsif, 2nd Court, Kushtia ..	591 of 1929 ..	119 0 0	312 0 0	37 8 0
	2477 of 1929 ..	95 0 0	234 8 0	.....

(9) The Hon'ble S. K. Sinha, I.C.S., District Judge of Murshidabad—

1. The maximum rate of interest generally allowed by the courts of this district is 37½ per cent. per annum for unsecured debts and 24 per cent. per annum for secured debts. The application of the Usurious Loans Act is made when the interest charged by the parties is in excess of the above rates. But such application is not very frequent as the rate of interest charged is not usually abnormal. The discretion of the courts in interfering with the contract rate of interest is, however, much fettered by reported judicial decisions. The rate of interest should

therefore be fixed by legislation in order that greater use may be made of the Act.

2. There is no standard rate of interest followed by the courts of this district.

3. No instance can be cited of the evasion of the Act by the taking of a bond for a larger amount than is actually advanced to the debtor.

Three copies of plaints* based on usurious rates of interest are enclosed herewith.

Substance of the plaints.

* FIRST PLAINT.

	Rs.	A.	P.
Principal (borrowed on a note of hand on 1st Paush, 1334 B. S.)	20	0	0
Interest (up to Ashar, 1336 B. S. at 2 as. per rupee per mensem)	47	8	0
Total	67	8	0
<i>Deduct</i> (already paid as instalment)	10	0	0
Net demand	57	8	0

SECOND PLAINT.

Principal (borrowed on a note of hand on 28th Baisakh, 1335 B. S.)	250	0	0
Interest (up to Chaitra, 1335 B. S. at 1 anna 9 pies per rupee per mensem)	328	2	0
Total demand	578	2	0

THIRD PLAINT.

Principal (borrowed on a mortgage bond on the 12th Aswin, 1328 B. S.)	14	0	0
Interest (up to Jeth, 1336 B. S. at half anna per rupee per mensem to be compounded at the end of every month)	229	5	6
Total	243	5	6
Remitted interest	93	5	6
Demand	150	0	0

(10) Mr. T. I. M. Nurannabi Chaudhuri, I.C.S., District Judge of Rajshahi—

From an enquiry from the Subordinate Judicial Officers in this district who deal with these cases, it appears that the provisions of the Act are availed of in this district though not to a very great extent. The difficulty in invoking the aid of the Act seems to be due to the difficulty in proving that the transaction was unfair.

There is no standard rate of interest allowed in this district. Each case is determined on its own merits and in accordance with the prevailing rate of interest proved a lesser rate being allowed for secured debts.

No instance of the provision of the Act being evaded has been brought to light.

In order that the Act may be largely availed of than at present, I would suggest that steps may be taken to disseminate knowledge of its provisions among the cultivators through the union boards.

(11) Mr. A. M. Ahmad, B.C.L. (Oxon.), Bar-at-Law, District Judge of Rangpur—

In this locality people avail themselves of the Usurious Loans Act (Act X of 1918), but not so much as they should have done and as such the debtors do not very often contest the suits and the courts have to interfere with the stipulated rate of interest and reduce the same. The indigenous banking institutions usually claim a much lower rate of interest than what is claimed by the village money-lenders and Marwaris. The Act can with advantage be applied to usufructuary mortgage deeds if the scope of the Act be slightly extended. In case of loans of grains, such as paddy, mustard, jute and tobacco the rule of *Damdapat* may be extended, *i.e.*, the claim in no case should be permitted to exceed double the actual value of the grains advanced.

2. The usual standard rate of interest followed by courts here is 6 pies per rupee per mensem in case of unsecured loans. In cases of secured loans where the interest is much lower the courts seldom interfere with the rate of interest agreed upon between the parties.

3. Very few instances of attempts to evade the Act have come to the notice of the courts here.

(12) Mr. H. G. Waight, I.C.S., District Judge of Dinajpur—

I have the honour to forward herewith a copy of a letter No. 158, dated the 22nd November 1929, of the Subordinate Judge of Dinajpur, whom I consulted in the matter. I fully agree with the suggestions contained in the letter.

Extract from letter of Maulvi Lutfar Rahman, Subordinate Judge, Dinajpur.

1. The Usurious Loans Act is not so freely availed of in this locality on account of the uncertainty of some of the provisions of the Act. According to the whims of different officers, different rates of interest are deemed excessive or reasonable. For ensuring greater use of the Act,

I would suggest the fixing of standard rates of interest in the cases of secured or unsecured debts by statute and also by enacting that in the case of loans to cultivators or ignorant people there can be no stipulations for payment of compound interest. A certain rate of simple interest may not appear high, but if there is stipulation of its being compounded after fixed intervals (gravity whereof is not generally realized by debtors), the aggregate amount of interest may be in many cases simply incredible. I may note some instances in point. In suit No. 113 of 1929 of my court a sum of Rs. 299 was borrowed in 1324 B. S. with interest at 2 per cent. per annum. This rate is not very high considering the rates prevailing in the locality, but as there is a further stipulation of the interest being compounded after every year the total claim has come to Rs. 4,047 after twelve years. As the defendant does not appear even after summons and registered card, no relief would be given. There are two or three cases pending in my court in one of which, viz., 54 of 1929, the principal amount is Rs. 125 but the claim is as high as Rs. 2,100 and in the other, viz., No. 111 of 1927, the principal sum is Rs. 2,999 but the claim has come up to Rs. 24,595.

2. There is no standard rate of interest followed by courts in applying the Act either in cases of secured debts or in cases of unsecured loans. Different courts apply different standards.

3. Up till now there has not been any general tendency on the part of money-lenders for avoiding the Act by taking bonds for larger amounts than those actually advanced.

4. For the relief of poor debtors I would suggest several changes in the Act, viz., (1) fixing standard rates of interest for secured and unsecured debts, (2) making stipulations for compound interest illegal and if this is not feasible to shorten the period of limitation to three years in cases where there are stipulations for compound interest.

(13) Mr. Gour Krishna Bose, Additional Sub-Judge, Malda—

The scope of the Usurious Loans Act is limited, as it enables the court to grant relief to borrowers in cases where (i) the rate of interest is excessive and (ii) the transaction sued upon is substantially unfair. The borrowers generally resort to the protection of this Act, but they fail to obtain relief in majority of cases as they cannot adduce sufficient evidence to show what is the usual rate of interest prevalent in the locality where the parties reside as also to prove that their consent to a usurious loan was taken by some unfair means. As the rate of interest varies according to the circumstances of each case, as also of the relative position of the parties, and is not uniform even when all other circumstances are the same it is difficult to adduce evidence to show what is the usual and prevailing rate. As such unless a standard rate of interest is fixed by legislation or a greater discretion is allowed to the court to grant adequate relief when a particular transaction is in the opinion of the court hard and unconscionable, the provisions of the Usurious Loans Act as they now stand would be of very little avail.

2. There is no standard rate of interest followed by court either in secured or unsecured loans.

3. I am not aware of any case in which attempt was made to evade the Act by taking a bond for a larger amount than was actually advanced to the debtors.

(14) Mr. J. C. Lahiri, District Judge of Pabna and Bogra—

1. The Usurious Loans Act is availed of in S. C. C. Suits only. In view of the decision of the Judicial Committee of the Privy Council reported in 23 Calcutta Weekly Notes, pages 131 and 233, it is no longer open to the court to make any distinction between secured and unsecured loans so far as the question of interest to be allowed in each case is concerned, in mortgage and money suits.

2. There is no standard rate of interest followed by the Courts in this district for unsecured and secured loans in applying the Act. The courts do not ordinarily allow interest on unsecured and secured loans at any higher rate than 6 pies per rupee per month, but in mortgage and money suits in which appeals are allowed such discretion in the matter of reducing the interest can hardly be exercised when the debtors fail to establish the unfairness of the transaction. Section 3 of the Usurious Loans Act cannot be applied to cases to its fullest extent, in view of the interpretation put upon it by the Calcutta High Court in its recent ruling reported in 33 Calcutta Weekly Notes, page 388.

3. So far as is reported by the Subordinate Judicial Officers of this district, the object of the Act is not frustrated by taking a bond for a larger amount than is actually advanced to the debtor or in any other way.

4. The Sub-Judge of Bogra has supplied copies of plaint and judgments of both the courts in mortgage suit No. 1604 of 1928 decided with referencē to Usurious Loans Act, and they are enclosed herewith (not printed). The Munsif, 3rd Court, Bogra, has supplied some more concrete instances which are noted below:—

Number of suits.	Principal.		Interest.		Total claim.		
	Rs.		Rs.	A. P.	Rs.	A. P.	
279 of 1928	300		459	6 0	759	6 0	
276 of 1929	60		3,622	0 0	3,682	0 0	(relinquished).
					500	0 0	(net claim).
1310 of 1929	42		177	8 0	219	8 0	
1361 of 1929	25		300	0 0	325	0 0	(relinquished).
					125	0 0	(plaint filed for Rs. 200).
1371 of 1929	65		105	8 0	170	8 0	
1386 of 1929	100		334	7 6	434	7 6	(relinquished and plaint filed for Rs. 400.)
1387 of 1929	125		372	8 0	497	8 0	
1389 of 1929	100		397	8 0	497	8 0	
1443 of 1929	35		88	0 0	123	0 0	
1444 of 1929	40		150	0 0	190	0 0	

In the Court of the 2nd Munsif, Bogra.**MORTGAGE SUIT No. 1604 of 1928.**

Serial number and date of Orders or proceedings—No. 8, dated 27th March 1929.

Defendant appeared before but is absent to-day though called out. Prosecution witness No. 1 Asab Ali Mandal examined. Exhibit I admitted in evidence.

Service of summons and case proved. Suit decreed *ex parte* in part for Rs. 340 only and proportionate costs, claim for interest being reduced under the Usurious Loans Act, with further simple interest at the bond rate on the principal sum of the bond from the date of institution of the suit up to the date of grace and thereafter on the whole decretal sum at 6 per cent. per annum till realisation. Defendant do pay the decretal money within one month of the date of decree, otherwise the decree will be made absolute and the mortgaged property sold.

S. C. SEN, *Munsif*.

O. C. APPEAL No. 31 of 1929.

The 7th November 1929.

**Appeal from the decision of Babu Suresh Chandra Sen, Munsif,
2nd Court, Bogra, dated the 27th March 1929.**

This is an appeal against a preliminary mortgage decree by the plaintiff. Plaintiff sued to recover Rs. 490 (principal Rs. 100, interest Rs. 390) due on a simple mortgage bond, dated 27th Jaistha 1329.

Defendant filed written statement, but was not present at the day of hearing. The lower court reduced the amount of interest under the Usurious Loans Act and passed a decree for Rs. 340.

Plaintiff has appealed.

The points urged for decision is whether the lower court was justified to reduce interest under the Usurious Loans Act.

FINDING AND REASON.

It is argued on the side of the appellant relying on the case of *Ramkrishna versus Heramba* 33 C. W. N., page 389, that the court can reopen the transaction under section 3 of the Usurious Loans Act, but not unless there is reason for it to believe either from the evidence or from the circumstances that the interest is excessive or that the transaction as between the parties was substantially unfair.

In that case 12 per cent. per annum with yearly rests was not considered as excessive as a matter of fact.

In the present case the rate 30 per cent. per annum with yearly rests was considered by the lower courts to be excessive. I agree with him in finding the rate excessive as a matter of fact when there was sufficient security.

So the lower court was justified in reducing the amount of interest under the Usurious Loans Act which applies to this case.

So ordered that the appeal is dismissed. As the respondent does not appear I allow no cost.

(15) Mr. J. W. Nelson, I.C.S., District Judge of Dacca—

1. For some years after its introduction, the Usurious Loans Act was systematically used by Judicial Officers to reduce the rate of interest claimed, but the ruling, reported in 33 C. W. N. 388, has had a most unfortunate effect in making Judicial Officers reluctant to reduce the contract rate.

2. There is no standard rate followed by courts in applying the Act. My experience (in the mufassal) is that 12 per cent. is a low rate for secured loans even when the security is unimpeachable, and that 24 per cent. is the normal minimum for unsecured loans. The Judge of the Small Cause Court, who has much experience, reports that interest at 24 per cent. on secured loans and 37½ per cent. on unsecured loans for small sums is not considered excessive. The amount claimed in the suit is often less than the amount due and the creditors would often be willing to accept a still smaller sum in cash in full satisfaction of the debt. A Civil Court decree, however, is very far from being the equivalent of cash.

3. The practice of taking a bond for a larger sum than is actually lent is rare.

4. Some instances of high rates of interest are given below :—

Suit No. of 1929.	Principal with date of transaction.	Claim on date of filing plaint.
49	Rs. 10, Ashar, 1334	Rs. 50, 7th January 1929.
388	Rs. 20, Pous, 1331	Rs. 75, 12th February 1929.
807	Rs. 30, Kartik, 1332	Rs. 100, 12th April 1929.
667	Rs. 40, Magh, 1332	Rs. 100, 27th March 1929.
289	Rs. 50, 1918, interest at 24 per cent. (compound).	Rs. 300, 1929.
345	Rs. 100, 1925, interest at 48 per cent.	Rs. 254, 1929, plus Rs. 20 realised before suit.
328	Rs. 121, 1925, interest at 75 per cent.	Rs. 268, 1929, plus Rs. 44 realised before suit.
333	Rs. 200, 1926, interest at 37½ per cent.	Rs. 410, 1929, plus Rs. 27 realised before suit.

(16) Mr. A. G. R. Henderson, I.C.S., District Judge of Mymensingh—

Point 1.—In suits for money where excessive interest is claimed, relief is largely given to the debtors as contemplated in section 3 of the Usurious Loans Act (Act X of 1918) whether the suit is decided *ex parte* or after contest. But the current of recent decisions of the superior courts is tending in favour of the creditor.

Point 2.—No standard rate of interest is followed by the courts as the rate varies in different localities.

Point 3.—No cases of evasion of the provisions of the Act by taking bonds for larger amounts than what are actually borrowed have come to my notice.

There have been cases wherein the claim amounted to several times of the principal amount, but it is difficult to supply concrete instances.

(17) Mr. A. N. Sen, Bar.-at-Law, District Judge of Faridpur—

The provisions of the Usurious Loans Act are not availed of to an appreciable extent in the Subordinate Judges' courts and in the courts of the Sadar munsif and the munsifs of Goalundo and Chikandi. But they are reported to be availed of to a great extent in the Munsifs' courts at Bhangra, Madaripur and Gopalganj.

2. No standard rate of interest is followed here in applying the Act. In suits instituted in Subordinate Judges' courts on mortgage bonds involving claims of big amounts, the said Act has hardly got any application as rates of interest in them are usually found to be low, but in

petty unsecured loans to agriculturists and others the rate of interest at 37½ per cent. per annum is not generally objected to or reduced. It is undesirable to standardise rate of interest as it will fetter the discretion of the Court and it will destroy the flexibility of the Act which should be retained on account of the diversity of local conditions existing in this country. The rule of "damdupat," i.e., that amount claimed as interest cannot be in excess of the principal advanced, which obtains in the Presidency Town of Calcutta, may with advantage be extended to the muffasil.

3. All the subordinate courts report that instances of evasion of the Act by the taking of a bond for a larger amount than is actually advanced to the debtor or in any other way have not come to their notice.

The Sadar munsif and the munsif, 1st Court, Bhanga, have supplied some concrete instances of complaints based on usurious rates of interest which are given in a separate list.

List.

S. C. C. Suit No. 1479 of 1929, Sadar Munsif Court, Faridpur.—The debtors borrowed Rs. 25 on the 22nd Asar 1333, agreeing to pay interest at 112½ per cent. per annum. The claim was laid at Rs. 87-8.

2. **S. C. C. Suit No. 1098 of 1929, Sadar Munsif Court, Faridpur.** The debtors borrowed Rs. 10 on the 20th Kartick 1329, agreeing to pay interest at 93½ per cent. per annum. He paid Rs. 5 and the sum of Rs. 69 is still due.

3. **S. C. C. Suit No. 1205 of 1929, Sadar Munsif Court, Faridpur.**—The debtor borrowed Rs. 10 on the 10th Falgoon 1332 B. S., agreeing to pay interest at 93½ per cent. per annum. The total claim is Rs. 44-6.

4. **S. C. C. Suit No. 974 of 1929, Sadar Munsif Court, Faridpur.**—The debtor borrowed Rs. 42 in Magh 1332, agreeing to deliver half a maund of jute in Aswin next for each rupee of the loan. It is alleged that jute sold at Rs. 6 per maund in Aswin 1333. The sum of Rs. 126 therefore became due for a loan of Rs. 42 in eight months.

5. **Mortgage Suit No. 817 of 1929, 1st Munsif Court, Bhanga.**—The principal advanced was Rs. 150 only, but the same with accumulated interest exceeded Rs. 3,685. The plaintiff relinquished Rs. 2,685 out of the amount and confined his claim within Rs. 1,000.

(18) Mr. H. C. Stork, I.C.S., District Judge of Bakarganj—

I have consulted the Subordinate Judges and Munsifs of this district with regard to the Usurious Loans Act. From the reports received it appears that the provisions of the Act have a limited application, and are not resorted to in this district to any very great extent. It has been suggested that a greater use may be made by fixing a standard rate of interest by statutory law, and by establishment of a sufficient number of banks in rural areas.

2. No standard rate of interest is in force in the courts in this district for secured and unsecured loans; as there is no provision in the said Act. But interest varying between 2 and 3½ per cent. per month is usually allowed by some courts according to circumstances.

3. Only in two or three cases the plea referred to in paragraph 3 of your letter is reported to have been raised, but it was not subsequently pressed.

4. With regard to the last paragraph of your letter, I enclose a list of concrete instances reported by some of the Subordinate Judges and Munsifs, in which there was heavy accumulation of interest, for information of the Committee.

List of concrete cases.

No. and nature of suit.	Principal.	Rate of interest claimed.	Interest allowed.	Remarks.
		Per cent. per month.		
ADDITIONAL SUB-JUDGE'S COURT.				
Mortgage Suit No.—	Rs.			
167 of 1928	50	2½	..	....
316 of 1928	125	2	..	....
42 of 1928	700	2	..	....
1ST MUNSIF'S COURT, BARISAL.				
J 66 of 1929 .. ..	..	2	..	Secured.
K 962 of 1929 .. ..	..	2½	..	Do.
G 373 of 1929 .. ..	..	3	..	Do.
K 297 of 1929 .. ..	..	2	..	Do.
1ST MUNSIF'S COURT, PIROJFUR.				
142 of 1927, 207 of 1927, .. ..	..	..	..	Secured.
102 of 1928, 113 of 1928, .. ..	..	..	..	..
65 of 1929, 52 of 1929, 62 .. ..	..	..	..	..
of 1929, 98 of 1929. .. ..	..	..	..	..
2ND MUNSIF'S COURT, PIROJFUR.				
1239 of 1928	325	2	..	....
419 of 1929	200	1½	..	....
50 of 1929	200	2	..	Secured.
369 of 1929	300	6½	..	....
442 of 1929	70	6½	..	Secured.
444 of 1929	150	6½	..	Do.
559 of 1929	100	Rs. 2-1-4	..	Do.
1017 of 1929	125	6½	..	Do.

No. and nature of suit.	Principal.	Rate of interest claimed.	Interest allowed.	Remarks.
Per cent. per month.				
3RD MUNSIF'S COURT, PEROJPUR.				
56 of 1929 ..	.. 30	Rs. 3-2	..	....
68 of 1929 ..	.. 200	4	..	....
30 of 1929 ..	.. 250	5	..	....
49 of 1929 ..	.. 100	Rs. 3-2	..	....
53 of 1929 ..	.. 100	5	..	....
157 of 1929 ..	.. 30	Rs. 3-2	..	....
Per cent. per annum.				
167 of 1929 ..	.. 60	25	...	....

1ST MUNSIF'S COURT, BARISAL.

S. C. C.—		Interest claimed.	Interest allowed.
		Rs. A.	Rs. A.
G 125 of 1929 ..	On simple bond	.. 72 9	48 0
G 169 of 1929 ..	Ditto ..	.. 200 0	75 0
G 171 of 1929 ..	Ditto ..	.. 65 0	15 0
G 177 of 1929 ..	Ditto ..	.. 71 4	21 4
187 of 1929 ..	Ditto ..	.. 50 0	25 0
G 198 of 1929 ..	Ditto ..	.. 177 12	57 12

(19) Mr. R. F. Lodge, I.C.S., District Judge of Chittagong—

Point 1.—I have not yet come across a case in this district, so far as I remember, in which the Usurious Loans Act has been availed of.

Point 2.—There is no standard rate of interest followed by the courts for either secured or unsecured loans.

Point 3.—I have no reason to believe that the provisions of the Act are evaded in the way suggested, or in any other way.

I examined a number of complaints after receiving the Committee's letter and found that the general rate of interest claimed in this district on bonds and promissory notes is 3 pies per month, *i.e.*, Rs. 18-12 per cent. per annum. I have seen cases where the interest charged is less than this, and also a few cases where the rate of interest was as high as 5 per cent. per month. These latter cases are very rare.

Two specific instances of this rate are:—

Money Appeal No. 143 of 1929, simple bond, interest at 5 per cent. per mensem—Principal Rs. 100.

Money Appeal No. 36 of 1929, pro-note, interest at 5 per cent. per mensem—Principal Rs. 100.

Copies of opinions of the Subordinate Judges, 1st and 2nd courts, are annexed herewith.

(I)

**Extract from letter No. 46, dated 22nd November 1929, from
Mr. Trailokyanath Roy, Sub-Judge, 2nd Court, Chittagong.**

The Usurious Loans Act is made use of generally in S. C. C. Suits by cutting down heavy rates of interest. No standard rate of interest is so far as I am aware followed here, and I have not come across any instance during the short time I have been here in which the Act was sought to be evaded by taking a bond for a larger amount than the actual amount of money advanced to the debtor or in any other way.

(II)

**Extract from letter No. 263, dated 23rd November 1929, from Mr. Jnan
Chandra Banerjee, M.A., B.L., Sub-Judge, 1st Court.**

Paragraphs 1 and 2.—During my three years' experience as Sub-Judge of this station, I do not remember to have come across any suit or appeal in which the provisions of this Act have been availed of.

Paragraph 3.—No such instance has come to my notice.

In an appeal disposed of by me at Dacca reducing the rate of interest which was absurdly extravagant, the High Court held in second appeal that the conditions laid down in clauses (a) to (d), sub-section 2 of section 3 of the Usurious Loans Act had not been proved to exist in the case, but nevertheless my judgment was upheld on the ground of substantial justice. It is a fact that no attempt is usually made by the parties to prove the existence or otherwise of the points for consideration mentioned in the above clauses, nor, it must be confessed, is it easy to adduce evidence regarding them after so much time has elapsed, and if a strict proof on those points be deemed necessary before the Act can be made applicable, it will remain a dead letter as hitherto. Unless the interests of substantial justice be the only ground for interference allowed by law, greater use of the provisions of the Act cannot be expected. That would however leave very wide margin for the exercise of the Court's discretion, and it is a matter for consideration whether such unfettered discretion in the hands of the court may not operate in some cases as an engine of oppression to the money-lenders and check the flow of investments which is generally beneficial to society at large.

(20) Mr. R. C. Sen, I.C.S., District Judge of Noakhali—

I referred the matter to the Subordinate Judicial Officers of this district who generally deal with cases of this nature. They say that they freely make use of the Act in deciding suits of Small Cause Court class by granting adequate relief to the debtor, but they seldom apply the Act in other suits. For greater use of the Act, some officers suggest that there should be a limit fixed by legislation beyond which a creditor should not get any amount by way of interest and the decision of a court regarding rate of interest should be non-appealable, subject to the revisional jurisdiction of the High Court.

As regards point 2, there appear no standard rates of interest followed by the Courts for secured and unsecured debts. Each suit is decided on its own merits. Where the rate seems to be hard and unconscionable, the court in exercise of its judicial discretion reduces the amount of interest according to the circumstances of each case.

With regard to point 3, these officers report that the cases of this nature, if they occur at all, are very rare.

Some officers cited specific instances of complaints on usurious rates of interest or heavy accumulation of debts. They are shown in the accompanying table.

Table.

Name of Court.	No. of Suit.	Principal.	Rate of interest.	Amount accumulated.
		Rs.	Per cent. per annum.	Rs.
2nd Additional Sub-Judge, Noakhali ..	261 of 1928 ..	77	..	3,000
	177 of 1928 ..	100	..	1,010
Munsif's 1st Court, Feni ..	M. 151 of 1929 ..	..	90	....
	681 of 1929 ..	..	75	....
	693 of 1929 ..	..	75	....
Munsif of Additional Court, Lakshmipur ..	678 of 1928 ..	..	40 (rate in the bond was 75 per cent. per annum).	....
Munsif of Hatiya ..	O. C. 312 of 1927 ..	100		3,23,000 (claimed in the suit Rs. 999 only).

(21) Mr. N. L. Hindley, I.C.S., District Judge of Tippera—

I have consulted the Judicial Officers of the district on the subject and the information obtained by me is given below:—

Point 1.—The Usurious Loans Act is seldom availed of in this locality. The courts can avail of the provision of the Act in reducing the rate of interest on two grounds, viz., (a) that the interest is excessive and (b) that the transaction is substantially unfair. In the absence of any rate of interest fixed by law or any evidence produced by the debtors that the transaction was unfair, it is difficult for the courts to make greater use of the Act in reducing the rate of interest. In ex-parte cases the courts do not generally interfere upto a rate of 37½ per cent. per annum which is very usual. In contested cases, plaintiffs come prepared on the points that the rate claimed was the usual rate of the locality or that other

money-lenders whom the debtors could or did approach had the same rate of interest as theirs and the courts find them helpless when these points are proved. In the case of mortgage loans the powers of the courts are still weaker. The trend of rulings is to impress on subordinate courts that courts have no power to interfere with contracts solemnly entered upon. Besides, there are some special classes of cases reported by the munsifs which evidently are intended to evade the Act, such as (i) the cases in which money is advanced for the purpose of delivering paddy, jute or other produce after six or eight months and on default attempt is made to recover through courts market value of the produce the stipulated rate of return coming sometimes upto 200 to 300 per cent. per annum; (2) cases in which small rate of interest, viz., 12 to 18 per cent. per annum is secured on mortgage bonds with a clause of monthly or quarterly rests which after lapse of years run up to a staggering figure. On account of the numerous rulings, the courts are unable to make greater use of the Act and the following suggestions of the courts by way of amendment of the Act have been offered:—

(i) Fixing the maximum rate of interest for secured and unsecured loans.

(ii) Doing away with compound interest.

(iii) Bringing all transactions of purchase and sale of commodity under the purview of the Act when the court thinks that the transactions were substantially money-lending ones.

Point 2.—No standard rate of interest is followed for any class of loans.

Point 3.—The taking of bonds for larger amounts than are actually advanced to the debtors has been reported by certain courts. But they say that it is done not so much to evade the Act as to secure a higher rate of return while ostensibly offering a low rate.

A statement showing cases based on usurious rates of interest or heavy accumulation of debts is enclosed.

Statement showing the concrete instances of plaints based on usurious rates of interest or heavy accumulation of debts.

Nature of Suit.	No. of Suit.	Principal.	Rate of interest.	Claim.
		Rs.	Per cent. per month.	Rs.
In the Court of the 1st Munsif, Chandpur.				
Mortgage Suit	.. 87 of 1929	.. 50	3½	1,500
Ditto	.. 10 of 1929	.. 50	2½	500
Ditto	.. 111 of 1929	.. 250	2	2,000
Ditto	.. 186 of 1929	.. 100	2½	1,778
Ditto	.. 171 of 1929	.. 275	3½	1,100
Ditto	.. 194 of 1929	.. 150	2½	1,200
Ditto	.. 195 of 1929	.. 150	3½	1,300

Nature of Suit.	No. of Suit.	Principal.	Rate of Interest.	Claim.
		Rs.	Per cent. per month.	Rs.

In the Court of the 2nd Munsif, Chandpur.

Mortgage Suit	..	207 of 1929	..	109	6½	800
Ditto	..	176 of 1928	..	25	2½	600
Ditto	..	238 of 1929	..	50	3½	580
Ditto	..	208 of 1929	..	48	6½	380
Ditto	..	63 of 1929	..	45	3½	500

In the Court of the 3rd Munsif, Chandpur.

Mortgage Suit	..	27 of 1929	..	30	3½	1,000
Ditto	..	24 of 1929	..	16	5	140
Money Suit	..	136 of 1929	..	100	2½	780
Ditto	..	276 of 1929 of 1st Court.	..	29	6½	2,000

In the Court of the 3rd Munsif, Brahmanbaria.

Money Suit	..	110 of 1929	56½	Rs. 15 for every 4 days on a principal of Rs. 200
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In the Court of the Munsif, Central Court, Comilla.

Mortgage Suit	..	1506 of 1929	..	50	2½	1,078
Ditto	..	1495 of 1929	..	125	2½	1,000
Ditto	..	1670 of 1929	..	240	2	1,995

(22) Replies by the Bar Association, Barisal—

The Usurious Loans Act, 1918, does not appear to be availed of to any appreciable extent. It seems that there is little scope for its application. Interest at the rate of 2 per cent. per mensem is not considered excessive by the courts and with the growth of the loan offices in towns and co-operative societies in rural areas, the rate of interest of private money-lenders has perhaps fallen down to 2 per cent. per mensem. There was a time (and that was prior to the passing of the Act) when the courts in pursuance to some judgments of the Calcutta High Court were not inclined to allow more than 12 per cent., but the decision of their Lordships of the Judicial Committee (23 C. W. N. 130 P. C.) put a stop to that tendency. The Act does not seem to have been applied to any extent by the courts here. The discretionary powers vested by the Act upon the courts are exercised by the individual Judges according to their temperaments some holding 2 per cent. per mensem or more with compound interests as not excessive. There are other Judges who are of opinion that the Act does not allow sufficient power to vary the terms of a contract and they base their decision on the ruling reported in 33 C. W. N., 388. One case was brought to our notice in which a

sum of Rs. 2,200 was decreed upon a bond, the principal amount of which was Rs. 600 and whose currency was only four years. The rate of interest stipulated was 150 katis of paddy payable half yearly. The price of a kati was fixed on the bond at Re. 1-8. The interest decreed amounted to Rs. 66 per annum. In this case also the court refused to exercise the discretion vested by the Act.

It does not seem that there has been any appreciable effect by the Act upon the rate of interest in the country at large. The rate of interest has been affected, in a far greater measure, by the growth of the loan offices, co-operative societies (rural and urban).

In the opinion of the members of the sub-committee, no measure need be taken to further the exercise of the discretion vested by the Act.

Enclosure.

In the Court of the 1st Sub-Judge.

Title Suit No. 121 of 1928.

Hem Ch. Chakervorty, plaintiff, *versus* Sukhiram Bairagi and three others, sons of Kalu Bairagi.

SUIT ON A MORTGAGE BOND, DATED 16TH CHAITRA, 1330.

Principal Rs. 600. Interest at 25 katis of paddy per cent., *i.e.*, 150 katis a year, payable six months with six monthly rests. Price at Re. 1-8 per kati.

Date of institution of suit—21st April 1928.

Interest for 1331, 1332, 1333, 1334, calculated at the stipulated rate, Rs. 1,815.

				Rs.
Total demand	...	...	...	2,415
Remission	...	...	...	310
Payment	...	...	...	5
				<hr/>
Claim	...	...	...	2,100
				<hr/>

In the abovenoted suit the plaintiff sued upon a peculiarly drafted mortgage bond executed by the defendants on 16th Chaitra 1330 B. S. for Rs. 600. The rate of interest stipulated in the bond was 150 katis of paddy per year with six monthly rests. The price of paddy is stated at Re. 1-8 per kati. A payment of Rs. 5 alleged to have been made on 10th Falgoon 1332 B. S. The suit was instituted in the early part of Baisak 1335 (21st April 1928), barely four years after the execution of the bond. The interest for four years was calculated at the stipulated rate at Rs. 1,875 and the total demand was Rs. 2,415. As remission was very kindly allowed by the plaintiff of Rs. 310, and Rs. 5 credited as having been paid by the judgment-debtor. The claim was placed at Rs. 2,100 which was decreed in full though the discretionary powers under the Usurious Loans Act were invoked on behalf of the defence and evidence was led to show (which was unchallenged) that the ordinary rate of interest was Re. 1-8 per cent. per mensem.

(23) Rai Bahadur Sarada Charan Ghosh, Government Pleader, Mymensingh—

We beg to submit herewith that the cases we had in mind in saying that the provisions of the Usury Act have been rendered practically nugatory by the High Court decisions are to be found reported in *Ram Krista Kulasi versus Heramba Chandra Roy*, 33 C. W. N. 388, and *Ram Krista Kulasi versus Panchanan Roy*, 33 C. W. N. Notes portion, p. XL.

In the latter case the court has gone so far as to hold that it must be proved that the lender dominated the will of the borrower as contemplated in section 16 of the Contract Act (Act X of 1872). The same view is held in *Basirulla Bhuina versus Miajan* (reported in A. I. R. 1926 Calcutta, p. 690), although it does not appear that the Usury Act was taken into consideration. These cases bring the law practically to what it was before the Usury Act, 28 C. W. N. 834.

We think that where compound interest is stipulated for, the Court should have an unfettered discretion in allowing or disallowing compound interest, and, as regards simple interest, the burden of proof that it is unfair and excessive may be made to rest on the debtor.

6. The Central Co-operative Banks.

QUESTIONS.

I.—Relation with Constituent Societies.

1. What was the total amount of indebtedness of the members of the rural societies constituting the Central Bank at the time of application for membership?

2. If it is possible to ascertain it, kindly state if the total amount of indebtedness of the members of the rural societies has been reduced since the formation of the societies.

3. Has the Central Bank financed any rural society to such an extent that all the debts of all the members have been paid off by such loan?

4. Has any long term loans been given by the Central Bank to any rural society for the purpose of repayment of the old debts of the members? If so, for what period?

5. In regard to the short term loans which, we understand, are annually given to rural societies, will you kindly state if the amount of loan required by the society is fully met by the Central Bank, and, if not, how the rural society meets its requirement?

6. What was the proportion between short term and long term loans given by the Central Bank to its affiliated societies during the last three years?

7. What are the general purposes for which loans are granted by rural societies to its members?

8. Are the members of the rural societies adequately financed by their society or have they to go to money-lending classes to meet their requirements?

9. If it is possible for the supervisors to ascertain from local enquiry, the Committee will be obliged if a comparative statement is prepared of a few typical villages showing the amount of indebtedness, of the members of the rural society and that of those residents of the village who are not members.

10. Is there any rule of your bank that the loans given to rural societies in any one year is limited to one or any fixed number of occasions or is entertained only at certain periods of the years?

11. Is there sufficient facility for the grant of short term loans to meet all seasonal demands of agriculturists, such as may be required at the time of cultivation, sowing, weeding and harvesting of the different crops. If not, would you suggest any deviation from the usual procedure adopted by your bank in granting loans to rural society?

12. To what extent does drinking or drug habit affect the indebtedness of the members of the rural societies constituting your bank?

13. Does the bank grant loans to co-operative organisations other than primary credit societies (e.g., industrial unions, rice mills, co-operative stores, supply and sale societies, etc.?) If so, kindly give details.

II.—Finance.

14. From what sources does the Central Bank raise the funds necessary for financing rural societies?

15. What is the rate of interest paid by the Central Bank on loans taken from the Provincial Bank and on deposits for different periods taken from members and non-members?

16. If there is any source, other than that mentioned in question 15 above, from which the Central Bank derives its funds, kindly state the terms on which the bank obtains funds from it.

17. Has the Central Bank more money on deposit than it can profitably employ? If so, can you suggest any means for the better utilisation of such funds?

18. What are the rates of interest on which loans for different periods are granted by the Central Bank to rural societies?

19. How are the loans granted to rural societies remitted to such societies and how are the repayments and payments on account of interest of such loans made by the rural societies to the Central Bank?

20. How are remittances to and from the Provincial Bank made?

21. How is the interest actually paid by the Central Bank on loans from sources other than the Provincial Bank and on deposits of members and non-members? Is the interest remitted by the Central Bank or have the creditors to attend the bank?

III.—Other activities of the Central Bank.

22. Does the bank discount any bills of exchange or hundis and sue drafts?

23. Besides the financing of rural societies does the bank do any other kind of business (e.g., current accounts, saving banks, life, cattle or other insurances, provident funds, religious, charitable or educational institutions, village uplift, training of officials of rural societies?) If so, kindly give a detailed account of this.

[NOTE.—A few sample replies (one from each division) to the above questions are printed below.]

1. REPLIES BY THE KHULNA CENTRAL CO-OPERATIVE BANK, LTD., KHULNA.

I.—Relation with constituent societies.

1. The total amount of indebtedness of the members of the rural societies constituting the Central Bank at the time of application for membership was Rs. 34,200 and the present outside is about Rs. 2,00,000.

2. Outside debts have been reduced but the total indebtedness including societies' debts has not been reduced. This is due to the fact that the landed properties on the whole have been increased.

3. No, because there are in every society some loans of members which bear interest lesser than what is charged by the society of which he is a member.

4. No.

5. We have had experience of rural societies and have come to know that the members are as a matter of fact improvident and cannot judiciously husband their own finances, nor do they in fact know what is their real want; so in financing we have to investigate their real want and finance accordingly and not to the extent they want, but as much we think is really necessary for the members for the time being.

Central Bank does not allow members of affiliated societies to raise loans from outside but it has come to our notice that members surreptitiously raise loans without permission of the societies.

6. We generally grant loans repayable in three annual instalments. Longer term than three years' loans have never been granted by this Central Bank.

7. Loans are granted for the purpose of agricultural, trade and other household expenditure.

8. Vide answer No. 5.

9. Will be supplied later on.

10. No loans are given to societies whenever they require but the major portion of the loan is granted during the cultivation season to the agriculturist.

11. Yes, we grant loans whenever they urgently need.

12. Under the co-operative rules a drunkard cannot be a member of a co-operative society and whenever a member is found to have acquired the habit he is at once expelled from the society, and to add to that the habit of drinking is very rare in this part of the country.

13. Yes, there are five societies affiliated to this Central Bank other than credit, viz., one Embankment Society, one Purchase and Sale Society, one Conchshell Society, one Carpenters' Society and one Antimalarial Society.

II.—Finance.

14. The Central Bank raises its fund by share and deposits.

15. No loan is taken from Bengal Provincial Co-operative Bank. Interest on deposits is paid as detailed below—

		Per cent.
Three years' previous notice	...	7
Two years' previous notice	...	6½
One year's previous notice	...	6½
One year's previous notice	...	6
Six months' notice	...	4
Seven days' notice	...	3

As we are getting more deposit at 6 per cent. than we demand we have ceased to accept deposits at interests higher than 6 per cent.

16. No.

17. We do not accept more deposits than we require. If deposits can be had at smaller rate of interest than the rate of interest paid by other central banks to depositors, the Central Bank getting interest at a lower rate of interest may profitably invest the same in central banks where they pay higher rate of interest.

18. Rate of interest varies not on account of period for which it is invested but on account of the class of business for which the loan is taken, e.g., on cash credit loans the rate of interest is 9½ per cent., on general loan 10½/16 per cent., and on loan for business 8 per cent.

19. Loans are taken by at least three panchayets coming personally to the Central Bank and executing a pronote but repayments are made sometimes personally and sometimes by money-order. No repayment of principal is accepted so long as any interest remains due.

20. By cheques and Remittance transfer receipts through local Government Treasury.

21. Interests are paid biennially to whom due either personally or by money-orders or by insurance or by cheques.

III.—Other activities.

22. Yes. This Central Bank issues draft and advances money on cheques and hundis on receipt of commission.

23. No.

2. REPLIES BY THE NALHATI CENTRAL CO-OPERATIVE BANK, LTD., DISTRICT BIRBHUM.

I.—Relation with constituent societies.

1. The total amount of indebtedness of the members of rural societies at the time of constituting those societies was Rs. 4,35,763-4 for 6,568 members.

2. From what has been ascertained from the office records (i.e., examination of property and debt list of members) it cannot be said that indebtedness has been reduced. The exact position is given here. Amount of indebtedness of rural societies at the time of application of membership was Rs. 4,35,763-4 for 6,568 members and the present indebtedness (from the latest property and debt statements) amounts to Rs. 7,75,766-4 for 8,381 members including loans from Central Bank which amounts to Rs. 3,44,002-12.

3. Of the societies under this Central Bank all debts of 41 rural societies were paid off by Central Bank in different periods, but a regrettable feature is that all of these societies have incurred debts again.

4. Yes. Long term loans are ordinarily given for this purpose and the term extends over several years, majority for 6 years. Regarding indebtedness of members of agricultural societies, the following figures and statements are supplied.

The amount of the indebtedness of members to mahajans and other outside agencies on the 1st of July 1929 is Rs. 4,31,763-8 for 8,381 members.

5. The short term loans are intended to be given mainly for agricultural purposes, but as the rural societies do not always invest the money they get from Central Bank as short term loan in the profitable agricultural use; the amount asked and required is not advanced by the Central Bank in some cases; and in many cases the required amount is not given if the past transactions of the societies with regard to repayment are not satisfactory. Rural societies in these circumstances sometimes go to outside mahajans or forego the unnecessary expenses for want of money.

6. Proportion is approximately 1:7; average of long term loans is Rs. 1,25,000 and that of short term loans Rs. 2,20,000.

7. Agriculture, rent, improvement of land, clearing outside debts.

8. Not adequately financed so far as their various demands (agricultural, social, etc.) are concerned. Yes, sometimes they go.

9. It is not possible for the supervisors to ascertain indebtedness of persons who are not members of a Credit Society in a village, such persons will naturally try to conceal their real financial condition and many will resent such outside enquiry into their private affairs.

10. Loans to rural societies are usually given to certain periods of the year. In this part of the country loans are generally given from May to September.

11. Here I think loans are advanced to meet all seasonal demands for agriculture.

12. Here drinking or drug habit affects very little the indebtedness of the members of co-operative societies.

13. Yes. There are 6 industrial societies—special type society—all are affiliated to this bank and get financial help from this Central Bank.

II.—Finance.

14. From loans from the Bengal Provincial Co-operative Bank, Ltd., from deposits and shares purchased by members.

15. Seven and a half per cent., 8 per cent. on loans from the Provincial Bank, the former on short term and the latter on long term loans.

Three and a half per cent., 5½ per cent., 6½ per cent., 7½ per cent. on current account, one year fixed deposit, two years fixed deposit, and three years fixed deposits respectively.

16. This Central Bank has derived part of its working capital in the shape of transferred liabilities of rural societies which were made over to this bank by Rampurhat Central Bank at the time of split up of the latter bank. For this transferred amount Rampurhat Central Bank charges interest at 8 per cent. per annum.

17. As this is a new Central Bank it does not feel superfluity of deposits.

18. Short term loans at 10 per cent. per annum; long term loans at 10½ per cent. per annum.

19. Ordinarily three members of the panchayet committee (including Secretary or Chairman) are required to come personally to the Central Bank for taking the money from the Central Bank, granted as loan. In exceptional cases where there is any chance of fraud or malpractice in giving loans to members of rural societies, arrangement for distribution in the presence of some officer of the Central Bank is made. Rural societies ordinarily make payments and repayments through their Secretary or Chairman.

20. Remittances to and from Bengal Provincial Bank are made through the Government treasury or sub-treasury by means of remittance transfer receipt.

21. The Central Bank pays the interest to depositors (members and non-members) on receipt of reliable documents (receipts and letter of authority) through messengers sent by such depositors, or interests are remitted by money-order, if so desired by depositors.

III.—Other activities.

22. No. This bank does not do any of these businesses.

23. Yes. (i) This bank has current account, but no individual account shall in any case have an amount of exceeding Rs. 500 at its credit. No interest runs on any sum below Rs. 50 in each case.

(ii) Home safe box has been lately introduced which is working well and seems to gain popularity in no time. A box designed for saving by Orient Watch & Tools Co., Calcutta, is given to the intending people residing within the area of local municipality free of charge; and any

smallest amount not less than 3 pies saved in the box in a fortnight is accepted as deposit. Interest allowed at Rs. 5-4 per cent. on any sum not less than Re. 1.

(iii) Co-operative insurance scheme has been introduced but not yet carried into practice. The maximum face value of the policies will not be more than Rs. 250 and minimum Rs. 50. The policy holders will have to be members of the society.

3. REPLIES BY THE DACCA CENTRAL CO-OPERATIVE BANK, LTD., DACCA.

1.—Relation with constituent societies.

1. The amount of indebtedness of the members of the rural societies to the outside creditors, constituting the Dacca Central Co-operative Bank, Ltd., at the time of application of membership was Rs. 7,65,299 among 4,714 individual members.

2. The total amount of indebtedness of the members of the rural societies to the outside creditors has been reduced from Rs. 7,65,299 to Rs. 4,91,894 among 6,685 individual members.

3. The Central Bank has financed 20 societies to such extent that all the debts of all members have been paid off by such loans, and 15 societies more will be free from the indebtedness by the current year and we have made it a point to make the members free from the clutches of the outside creditors.

4. The Dacca Central Co-operative Bank, Ltd., has not yet introduced the system of long and short term loans, but the Central Bank generally allows kists for a long period of more than three years when it advances loans for repayment of outside debts and allows handsome rebate for regular payment of kists.

5. The Dacca Central Co-operative Bank, Ltd., allows kist for a short period when loans are advanced to the rural societies for agricultural and maintenance purposes. The amount of loan required by the societies for the above purposes is almost fully met by the Central Bank.

6. Nil.

7. The Dacca Central Co-operative Bank, Ltd., generally advances loans to its affiliated societies for the purposes as follows—(1) For agricultural purpose. (2) For maintenance purpose. (3) For repayment of arrear rents. (4) For purchasing lands. (5) For repayment of outside debts.

8. The members of the rural societies are adequately financed by their societies and in some emergency cases a very few members go to the village mahajans to meet their demands.

9. The supervisors have been instructed to supply the required information and it will be sent to you in due course.

10. There is no hard and fast rule in the matter of giving loans to the rural societies. Loans are generally advanced in the months of November, December, January, February and March every year.

11. The Dacca Central Co-operative Bank, Ltd., has opened an overdraft account with the local Imperial Bank of India, Dacca, on the

security of the Government promissory notes for meeting the demands of seasonal agricultural loans. And local deposits are very frequently available.

12. Nil.

13. The Dacca Central Co-operative Bank, Ltd., advances loans to the following co-operative organisations also—(1) The Co-operative Stores, Ltd. (2) The Central Co-operative Banks, Ltd. (3) The Co-operative Industrial Unions, Ltd. (4) The Co-operative Societies (with limited liabilities) in the Dacca Division

II.—Finance.

14. The Dacca Central Co-operative Bank, Ltd., raises the funds for financing its rural affiliated societies from the following sources—(1) Share capital. (2) Deposit from the members and non-members.

15. The Dacca Central Co-operative Bank, Ltd., does not take loan from the Provincial Bank, Ltd., since 1918. Interest on deposits is allowed according to the following rates—(1) For current deposit without interest. (2) For deposit for six months at 4 per cent. (3) For deposit for one year at 6 per cent. (4) For deposit for two years at 6½ per cent. (5) For deposit for three years at 7 per cent. (6) For deposit for four years at 7½ per cent.

16. The Dacca Central Co-operative Bank, Ltd., gets funds also from the following sources—

1. Overdraft from local Imperial Bank of India on the security of Government promissory notes on bank's rate.
2. Cash credit advances from the local Imperial Bank of India—Dacca, on the security of the Bengal Provincial Co-operative Bank, Ltd., at 6½ per cent.

17. The Dacca Central Co-operative Bank, Ltd., has more money on deposit than it can profitably employ. This Central Bank can advance loans to the other central banks within the district at a lower rate of interest than they allow to their depositors.

18. The Dacca Central Co-operative Bank, Ltd., advances loans to its affiliated societies (rural) at 12 per cent. per annum but a rebate at 3 per cent. is allowed to the societies for regular repayment of kists.

19. Loans granted to the rural societies are taken by representatives of the societies who attend the Central Bank's office to execute the promissory notes. The repayments and payments on account of interest of such loans are made by coming to the Central Bank's office personally and sometimes by postal money-order.

20. Remittances to and from the Provincial Bank, Ltd., are made by the remittance transfer receipt through the Imperial Bank of India, and by demand draft.

21. The Dacca Central Co-operative Bank, Ltd., did not take loan since 1918. The local depositors generally come to the Central Bank's office to receive the payments of their interest. Interest of the depositors other than the local are generally remitted by postal money-order, cheques, pay order, registered insured cover.

III.—Other activities.

22. The Dacca Central Co-operative Bank, Ltd., does not discount any bills and hundis.

23. The Dacca Central Co-operative Bank, Ltd., does not do any other business besides the financing of rural societies and societies with limited liabilities within the division.

4. REPLIES BY THE PABNA CENTRAL CO-OPERATIVE BANK, LTD.

I.—Relation with constituent societies.

1. It is not possible to secure the total amount of indebtedness of the members of all the societies at the time of application for membership. But we beg to mention here that the indebtedness of the following new societies was Rs. 8,626 at the time of their application for membership and the Central Bank has financed them with Rs. 5,773, the rest being secured by themselves as found in the respective distribution lists submitted by them.

Names of societies.	Amount of indebtedness at the time of application.	Amount sanctioned by Central Bank.
	Rs.	Rs.
1. Tilakpur Co-operative Bank ..	456	645
2. Sykola Kanairchar ..	1,165	2,000
3. Fechuan ..	2,493	1,165
4. Ramnathpur ..	2,119	810
5. Bethuan Uttarpara ..	2,253	3,079
6. Naduria ..	90	427
7. Nanlanpur Weaving ..	50	417
Total ..	8,626	5,773

2. Yes, reduced to a great extent.

3. Yes, to some extent. As for instance we may name Radhanagar G. R. S. and Patsar Co-operative Bank.

4. Yes, all the loans issued by the Central Bank are long term loans including the purpose of repayment of old debts; generally the maximum period of kists extends over four years.

5. Short term loans are not in vogue.

6. Short term loans are not in vogue.

7. The rural societies generally grant loans to their members for agricultural purposes and for repayment of outside loans.

8. The Central Bank grants adequate loans to the rural societies but the societies cannot satisfy their members for which they often go to the money-lenders.

10. Not in one year; but repayments, are generally fixed twice a year—one in jute season and other in rabi crop season—, thus repayable in four years.

11. The Central Bank gives sufficient facility to its affiliated societies in granting loans to meet their seasonal demands, such as cultivation, sowing, weeding, etc., but not in shape of short term loans.

12. Nil.

13. Yes, the Central Bank issued loans to Pabna Co-operative Stores and Debottar Agriculture Society, but both of them are closed.

II.—Finance.

14. From share, deposit, reserve fund, etc., and if necessary by taking loans and cash credit from Provincial Co-operative Bank, Ltd., at Calcutta.

15. The Central Bank has got no loan due to Provincial Co-operative Bank. The rate of interest paid to its depositors for different kinds of deposits is as follows: 4 years fixed $7\frac{1}{2}$ per cent., discontinued; 3 years fixed $6\frac{3}{4}$ per cent.; 2 years fixed 6 per cent.; 1 year fixed $5\frac{1}{4}$ per cent.; and current deposit 3 per cent.

16. Nil.

17. Yes, the Central Bank suggests means for the better utilization of its funds in the following ways—

- (i) Issue of loans to preference share-holders.
- (ii) Issue of loans to district board, municipality and union board.
- (iii) Monopolised agency of kerosene, coal, tar, corrugated iron.
- (iv) Monopolised agency to companies registered under the Indian Companies Act.

18. At $10\frac{1}{2}$ per cent. (and 8 per cent. at cash credit).

19. After the loan is granted, the society is informed and three of the panchayets come down to Sadar for receiving loan by executing pronotes. The repayments and payments on account of interest are generally paid by the societies through money-order and through the local supervisor who grants receipts for the amount taken.

20. By remittance transfer receipt through the Government treasury.

21. Interests on deposits are paid twice a year, i.e., in April and October, on realisation of interest of Central Bank dues from rural societies. Interests are paid either in cash or deposited to the credit of the depositor at his option, if advised it is also sent by money-order, under insured cover or by draft on Calcutta bank.

III.—Other activities.

22. Yes.

23. Cash credit business is done with its affiliated limited liability societies.

5. REPLIES BY THE COMILLA CENTRAL CO-OPERATIVE BANK, LTD., DISTRICT TIPPERA.

I.—Relation with constituent societies.

1. It is not possible to ascertain correctly the total amount of indebtedness of the members of the rural societies constituting the Central Bank, as some of the affiliated societies are marked for dissolution for bad working and they do not submit regularly the property and debt statement of their respective members.

2. It is not possible to ascertain the exact amount of indebtedness of the members of the rural societies as the property and debt statements submitted by the rural societies are not always prepared with sufficient care. The indebtedness of the members, however, has not been reduced since the formation of the societies. But the members have got some assets with the societies, viz., the reserve fund, the share capital and the deposit of members which in 19 societies constitute the entire amount of the working capital and in 91 societies more than 50 per cent. of the working capital. The evil of borrowing has thus been minimised.

3. This Central Bank has financed some societies with the object of paying off all the debts of all the members but the attempts were not successful, as those societies could not supply loans to individual members in times of their sudden and urgent need, because the system of granting loans by the societies is a cumbersome one, necessitating the societies to approach the Central Bank for small loans in such cases and as a result expenditure being incurred in bringing the money from the Central Bank by the representatives of the societies. In this way the society has to spend, say for example, Rs. 8 for bringing Rs. 40 and when the sum is received the member has already borrowed from a mahajan who is his neighbour.

4. For repayments of old debts of the members of the rural societies long term loans are always given by the Central Co-operative Bank usually for five years.

5. The Central Bank has not introduced short term loans and for annual requirements the societies borrow from the Central Bank almost every year on long term. Only for occasional and urgent needs the individual members have to go to the village mahajans. (Reasons noted against question 3.)

6. There is no short term loan.

7. The rural societies usually grant loans to the individual members for repayment of old debts, purchase of lands, cattle, seeds, erection of dwelling houses, payment of accumulated rent to the landlords and occasionally for the purpose of business and marriage.

8. The societies are usually adequately financed, but the members have to go to the money-lenders for reasons noted against question 3.

9. It is not possible for the supervisors to ascertain the exact amounts of properties and debts of non-members, as they fight shy of the enquiries made in the villages and ignorant as they are of the laws of the country, they are afraid of new taxation. However, comparative statements for (four) societies have been prepared and are enclosed (not printed), but for reasons stated above the bank cannot certify to their authenticity.

10. No such rule.
11. There is no short term loan.
12. There is no drinking or drug habit amongst the members of rural societies.
13. No.

II.—Finance.

14. The Central Bank raises the capital from share capital, deposits of members and non-members and occasionally from the Bengal Provincial Co-operative Bank.

15. The rates on deposits are the following for members and non-members—

	Per cent. per annum.
For six months	5½
For one year	6
For two years	6½
For three years	7
For four years and above	7½

The rate for the Provincial Bank is as fixed by that bank from time to time.

16. No other source.
17. Whenever the Central Bank has some surplus money new societies are usually organised for investment of this sum.
18. The rate is a fixed one, viz., 10 15/16 per cent. per annum.
19. The loans are taken from the Central Bank by the representatives of the societies according to the provisions of the bye-laws of those societies. The repayments are made by the Secretary or the Chairman or some other member personally and in some cases by postal money-orders and insured covers.
20. By Remittance Transfer Receipt through local treasury.
21. The interest is paid to depositors or to their authorised agents who attend personally and on requisition it is sent by postal money-order or in insured cover.

III.—Other activities.

22. No.
23. The Central Bank carries on business on current account and savings banks.

The Jute Mills Association.

7. The Jute Mills

Summary of reports* on indebtedness

Managing Agents of Jute Mills.	Average percentage of employees indebted.	Whether there is any written contract for such loans.
1	2	3
I. Messrs. Barry & Co.— (1) Gourepore Co., Ltd. .. 2 Nuddea Mills Co., Ltd.	Per cent. 30 to 35 .. 20 ..	Small loans—Thumb impression on blank sheet of a note book. Larger loans—Notes of hand.
II. Messrs. Thomas Duff & Co., Ltd.— (1) (a) Samnuggar South Mill (b) Samnuggar North Mill.. (2) (a) Titaghar No. 1 Mill .. (b) Titaghar No. 2 Mill .. (3) Victoria Mill ..	30 to 40 .. 20 to 30 .. 20 to 30 .. 30 to 40 .. 25 to 30 ..	} } } See column 4 .. } }
III. Messrs. Begg Dunlop & Co.— (1) Alliance Jute Mills Co., Ltd. (2) Alexandra Jute Mills, Ltd. (3) Waverly Jute Mills Co., Ltd. (4) Craig Jute Mills, Ltd.	Clerks and mistries—50. General labour—75.	Small loans—No written contract. Large loans—Written contract. Thumb impression in the money-lender's book is the usual practice.
IV. Messrs. Kettlewell, Bullen & Co., Ltd.— The Fort Gloster Jute Manufacturing Co., Ltd.	25 ..	Notes of hand and hat-chitas.
V. Messrs. McLeod & Co.— (1) Kelvin Jute Co., Ltd. .. } (2) Empire Jute Co., Ltd. } (3) Soorah Jute Mills Co., Ltd. } (4) Presidency Jute Mills Co., Ltd.	20 .. 15 .. 25 to 30 ..	Promissory notes.

* Received through the courtesy of the Secretary.

Association.

In Jute Mill areas near Calcutta.

Usual rate of interest and its method of payment.	Average amount of loan taken by an employee.	Average period after which the loan is paid off.
4	5	6
<p>Small Loans—75 to 150 per cent. per annum. Kistwali or instalment system—A loan of Rs. 8 or any multiple of Rs. 8, is paid back at Re. 1 per week for 9 weeks. On failure to pay in any week 4 annas per Rs. 8 borrowed, is charged. On security of ornaments—18 to 36 per cent. per annum. On security of utensils—37½ to 75 per cent. per annum. On notes of hand—72 to 150 per cent. per annum. On mortgage—48 to 72 per cent. per annum. Simple interest is usually charged, but if not regularly paid, it is compounded.</p>	<p>Rs. 10 to Rs. 20 by such menials as sweepers, dhangers, etc.</p>	<p>Usually within 3 or 4 months.</p>
<p>(1) (a) Where ornaments are pledged, the rate is 25 per cent. per annum; on mortgage, 50 per cent.; on unsecured loans 150 per cent. per annum. (b) Where security is given, 37½ per cent.; without security, 75 per cent. to 150 per cent. per annum.</p>	<p>Rs. 5 to Rs. 30 .. Rs. 5 to Rs. 50 ..</p>	<p>Nine weeks. No definite period is fixed by smaller private lenders. Loans on the security of ornaments, etc., are repaid as soon as possible.</p>
<p>(2) (a) With security, 37½ per cent.; without security, 75 per cent.—150 per cent. per annum. (b) On valuables, 37½ per cent.; pronotes 75 per cent.; without security, 150 per cent. per annum.</p>	<p>Rs. 5 to Rs. 10 .. Rs. 5 to Rs. 30.</p>	
<p>(3) Up to Rs. 25, rate is 37½ per cent.; Rs. 25 to Rs. 100, rate 75 per cent.; over Rs. 100, with security 60 per cent., over Rs. 100 without security 150 per cent. per annum. (Where articles are pledged, no compound interest is charged. In case of pronotes interest is paid weekly but on failure to pay, compound interest is charged at rate entered in the bond).</p>	<p>Ordinary worker Rs. 10. Weaver class Rs. 20.</p>	
<p>Clerks amongst themselves—37½ per cent. per annum. Clerks from money-lenders—150 to 300 per cent. per annum. Mistries—150 to 225 per cent. per annum. Labourers—over 300 per cent. per annum. Compound interest is generally charged.</p>	<p>Mistries Rs. 25 to Rs. 100. Labourers Rs. 5 to Rs. 30.</p>	<p>Loan is seldom liquidated on account of the unwillingness of the lender to accept the return of the principal.</p>
<p>150 to 300 per cent. per annum .. Compound interest is charged in most cases.</p>	<p>About Rs. 20 ..</p>	<p>1 to 3 years.</p>
<p>Four general rates 150, 108, 72, and 48 per cent. per annum. In the majority of cases repayment of loans is usually made on the weekly pay days.</p>	<p>Labourers—Rs. 3 to Rs. 5 per week. Mistries—Even up to Rs. 100 at a time.</p>	<p>Small loans—3 to 4 weeks. Larger loans—3 to 4 years.</p>

Managing Agents of Jute Mills. 1	Average percentage of employees indebted. 2	Whether there is any written contract for such loans. 3
VI. Messrs. Gillanders, Arbuthnot & Co.— Société Générale Industrielle de Chandernagor.	20 to 30 ..	Written contract in some cases.
VII. Messrs. Jardine Skinner & Co.— (1) Kankinarrah Co., Ld. ..	25 to 33½ ..	Promissory notes ..
(2) Reliance Jute Mill Co., Ld.	25 ..	Usually on note of hand ..
(3) Howrah Mills Co., Ld. ..	30 to 35 ..	Very seldom on written contract.
(4) Kamarhatty Co., Ld. ..	25 to 30 ..	Written contract for amounts over Rs. 20, but not under.
VIII. Messrs. Gillanders, Arbuthnot & Co.— The Hooghly Mills Co., Ld. ..	60 ..	Verbal promise known as "Kisti."
IX. Messrs. Macneil & Co.— Bansberia Mill ..	Highly paid workers are generally indebted.	No written contract.
X. Messrs. James Luke & Sons— Balliaghatta Jute Mills ..	33 ..	Kisti and notes of hand.
XI. Messrs. James Finlay & Co.— Champdany Jute Co., Ld. ..	56 ..	Usually written contracts.

Usual rate of interest and its method of payment. 4	Average amount of loan taken by an employee. 5	Average period after which the loan is paid off. 6
<p>For loans of less than Rs. 12—325 per cent. per annum.</p> <p>For loans of over Rs. 12—162½ per cent. per annum.</p> <p>2 methods of repayment—"Weekly" and "Kisti." "Weekly" applies to loans of the 1st kind while in "Kisti" the loan is definitely to be repaid within 9 weeks.</p>	<p>From Rs. 8 to Rs. 12.</p>	<p>3 months where there is weekly payment.</p>
<p>From 48 to 150 per cent. per annum, according to risk. Simple interest is charged and is paid both weekly and monthly.</p> <p>162½ per cent. on small sums. Payments are made both weekly and monthly. Simple interest is charged.</p> <p>325 per cent. per annum payable weekly ..</p> <p>Simple interest charged at 162½ per cent. payable weekly.</p>	<p>Rs. 10 to Rs. 20</p> <p>Rs. 5 to Rs. 10 ..</p> <p>Rs. 15 to Rs. 25</p> <p>Rs. 20 to Rs. 50</p>	<p>Varies from 1 to 4 years.</p> <p>According to agreement.</p> <p>6 months.</p> <p>6 to 12 months.</p>
<p>150 per cent. payable weekly ..</p>	<p>Rs. 20 to Rs. 30</p>	<p>Kabulis prefer to allow the loan to remain outstanding and to continually collect the interest.</p>
<p>2 annas per rupee per month, i.e., 150 per cent. per annum.</p> <p>1 anna per rupee for 2 weeks.</p> <p>Kabulis charge 150 per cent. per annum.</p> <p>Simple interest is charged.</p>	<p>No information</p>	<p>No information.</p>
<p>For Kisti or contract method the rate of interest is as follows :—For a loan of Rs. 20 the borrower is to pay 5 annas (one pice per rupee per day) a day for 72 days, i.e., Rs. 22-8. A sum of Re. 1-4, i.e., one anna per rupee, is also deducted as contract rate at the time of giving the loan. Thus for a loan of Rs. 18-12, he is to pay Rs. 22-8 in all.</p> <p>On note of hand—150 per cent. per annum.</p> <p>For small loans—From 75 to 150 per cent. per annum.</p> <p>75 to 150 per cent. per annum ..</p> <p>Both simple and compound interests are charged.</p>	<p>Clerks, mistries, etc.—Rs. 20 to Rs. 50.</p> <p>Coolies—Rs. 5 to Rs. 10.</p> <p>Rs. 25 to Rs. 200</p>	<p>No information.</p> <p>2 months to 2 years.</p>

Managing Agents of Jute Mills. 1	Average percent- age of employees indebted. 2	Whether there is any written contract for such loans. 3
XII. The Angus Co., Ltd., Proprietors— Angus Jute Works ..	90 ..	Notes of hand and mortgages.
XIII. Messrs. George Henderson & Co., Ltd.— The Bally Jute Co., Ltd. ..	20 ..	Signature or thumb impression is taken by the Kabuli money- lender in his book on one anna stamp, where necessary.
XIV. Messrs. George Henderson & Co., Ltd.— The Baranagore Jute Factory Co., Ltd.	25 ..	Signature or thumb impression is taken by the Kabuli money- lender in his book on one anna stamp, where necessary.
XV. Messrs. Macneil & Co.— Ganges Manufacturing Co., Ltd.	75 ..	Written agreement for sums over Rs. 50.
XVI. Messrs. Bird & Co.— (1) Union North, Entally ..	30 ..	45 per cent. written ..
(2) Union South, Buddertollah	50 ..	Yes
(3) Clive, Garden Reach ..	75 ..	Yes
(4) Dalhousie, Champdany ..	20 ..	Yes
(5) Lawrence, Chakassi ..	27 ..	No
(6) Auckland, Jagatdal ..	90 ..	Thumb Impression ..
(7) Northbrook, Champdany	80 ..	Yes
(8) Lansdowne, Dakhindari ..	12 ..	No
(9) Kinnison, Titaghur ..	50 ..	50 per cent. written ..
(10) Naihati, Halisahar ..	90 ..	Yes
XVII. Messrs. Mackinnon Mac- kenzie & Co.— (1) The Megna Mills Co., Ltd.	20 ..	Promissory note.
(2) India Jute Co., Ltd. ..	Mistrics and methars—90. Other workers— 50.	Promissory note with signa- ture or thumb impression.

Usual rate of interest and its method of payment. 4	Average amount of loan taken by an employee. 5	Average period after which the loan is paid off. 6
<p>With Kabuli lenders the rate is 325 per cent. per annum where security is given, and 650 per cent. per annum when no security is given, but cases of such high rate are limited.</p> <p>Other lenders charge 75 to 150 per cent. per annum.</p> <p>Interest is realized once weekly or once monthly according as the borrower receives his wage.</p>	No information ..	No information.
<p>150 per cent.</p> <p>Compound interest is charged when the interest is not paid regularly.</p> <p>Loans are also transacted on the " Kisti " system.</p>	Rs. 20 ..	In many cases the debtors cannot get out of the loans and abscond.
<p>For loans up to Rs. 20—162½ to 325 per cent. per annum.</p> <p>For larger loans—150 per cent. per annum. Compound interest.</p>	Rs. 15 ..	Ditto.
<p>75 to 150 per cent. weekly and monthly ..</p> <p>No compound interest.</p>	Rs. 15 ..	9 weeks.
<p>1 anna per rupee a month simple interest weekly.</p>	Rs. 40 ..	2 years.
<p>1 anna per rupee a month simple interest weekly.</p>	Rs. 15 to Rs. 20.	
<p>1 anna per rupee per week simple interest weekly.</p>	Rs. 5 to Rs. 7-8	5 weeks.
<p>Rs. 4 per Rs. 100 per month simple interest weekly.</p>	Rs. 150.	
<p>2 annas per rupee per month simple interest</p> <p>{ 1 anna per rupee per week on small loans ..</p> <p>{ Rs. 5 per Rs. 100 per month on big loans simple interest.</p>	<p>Rs. 6 ..</p> <p>{ Rs. 5 cooly.</p> <p>{ Rs. 20 Sirdar</p>	2 months.
<p>½ anna per rupee per week simple interest ..</p>	Rs. 25	
<p>½ anna per rupee per week simple interest</p>	Rs. 10 ..	3 months.
<p>1 anna per rupee per week simple interest.</p>	Rs. 20 ..	6 months.
<p>½ anna per rupee per week simple interest</p>	Rs. 8 to Rs. 10 ..	9 to 12 weeks.
<p>12½ per cent. per mensem compound interest. Interest is collected weekly.</p>	Rs. 10 ..	3 to 4 months.
<p>75 to 150 per cent. per annum ..</p> <p>Compound interest is also charged.</p> <p>There is also the " Kisti " system of loan.</p>	Rs. 8 to Rs. 10 ..	<p>3 to 4 months in the case of monthly repayable loans.</p> <p>8 to 10 weeks in the case of weekly repayable loans.</p> <p>About 20 per cent. of the borrowed money is not repaid at all.</p>

II.—Notes and Memoranda

Notes and Memoranda.

1. Note on Tea Finance of Jalpaiguri concerns by Mr. Joges Chandra Ghose, Vice-Chairman, Indian Tea Planters' Association, Jalpaiguri.

Capital and other sources.—Most of the Indian owned Jalpaiguri Dooars gardens are limited liability companies with a share capital. There are a few private gardens also, owned by private proprietors. For companies started during recent years an admission fee per each share is generally charged on the shareholders for an amount varying from 1/5th to the full face value of the share. This admission fee is generally treated as a sort of a loan and is generally repaid before distribution of any dividend by the company but it does not bear any interest. The admission fees are thus refunded to the members before any dividend is declared and paid. The idea is to make the capital of the company not too high and the admission fees are utilised to meet the initial capital expenditures such as price of land, etc. The admission fee is realised along with the application money, and the share money is usually called in several instalments of small amounts spread over two years or more. In a few instances some companies have sold a limited number of shares to the public at suitable premiums.

Finance of new gardens.—As the capital is never very big the admission fees and the amounts received on capital account cannot run the company very long and in many cases, after a period of say two years or so, outside finance is required for the development of the property. These finances are usually obtained from the managing agents, money-lenders and other capitalists on the mortgage of the gardens and appurtenances and unpaid call moneys and other assets and properties of the company, and the amount is borrowed for the period of developments, say from 7 to 10 years, at a rate of interest varying from 9 to 15 per cent. Besides, the usual interest commission on the sale proceeds of tea varying from 2½ to 7½ per cent. has to be paid to the agents or financiers. Usually from the fourth year the crop is available from the plantations and additional finances are then obtained on the hypothecation of the crop from the managing agents, joint stock banks, or the firms of tea brokers on the guarantee of the managing agents.

The usual rate of interest charged for such finances is from one per cent. to two per cent. over the bank rate with a minimum of 7 to 8 per cent. The tea brokers are to be paid brokerage at 1 per cent. for selling the teas hypothecated and the managing agents charge commission varying from 2½ to 7½ per cent. Frequently when the requisite finances are not available or cannot be promptly obtained, the promoters and the directors have to borrow from other sources either banks or loan offices or Marwari merchants or other money-lenders on their own personal liability, to finance the garden. In normal years, i.e., when the price of tea is satisfactory and the companies make profits there is not much difficulty in getting such loans but the resources and financial prosperity of the people of Jalpaiguri depend mostly on tea, and when in a lean year prices of tea are low very great difficulty is experienced in obtaining such loans; and when

loans are available, a very high rate of interest even up to 24 per cent. or more has to be paid.

Finances of old established gardens.—Some of the old gardens have got some reserve funds which are in some cases partly utilised in meeting the expenditure for the first few months of the season. But the usual finance is generally obtained on the hypothecation of crop of the season and ordinarily an advance from 60 per cent. and upwards of the estimated revenue of the season is obtained at a rate of interest at 1 per cent. over the bank rate with a minimum of 7 to 8 per cent. Some Indian banks (joint stock companies) and the Marwari money-lenders and the local financiers charge higher rates. The big joint stock banks of Calcutta and the Imperial Bank of India often entertain such proposals on the guarantee of the tea brokers through whom the teas of such Indian concerns are sold in Calcutta. These brokers have to be paid brokerage commission, at 1 per cent. over and above all other charges such as godown charges, sampling charges, sale charges, tea cess, etc. This debt is paid off gradually from the sale proceeds of teas and the surplus is credited to the account of the company.

The Imperial Bank of India does not, as a matter of fact, finance the companies directly on hypothecation of tea crop unlike other joint stock banks and they require a guarantor, usually a firm of repute of tea brokers or European firms of managing agents. The inevitable result of this is that most of the Indian concerns do not get finance from the Imperial Bank. The local banks of Jalpaiguri advance money direct to the concerns without any such guarantor on hypothecation of crop at interest varying from 9 to 10½ per cent. As the finances of the local Jalpaiguri Banking & Trading Corporation, Ltd., the Jalpaiguri Lakshmi Bank, Ltd., and other local banks are rather limited, they are handicapped during periods of depression in tea market when the amounts of deposits become less. In lean years old concerns which have got some reserve can somehow tide over and meet their running expenses without perhaps very much difficulty but the new concerns are always hard hit as their programme of development has to be cut down and the time of declaring dividend or making profits recedes further and further. In other words if a new garden expects to be self-supporting in say 6 to 7 years' time normally it has to wait another 3 or 4 years or even more because it has not been able to meet the necessary expenses for scientific manuring, the supply of costly machinery and the upkeep of sufficient labour force. In extreme cases such new concerns have no other alternative than to wind up. The new infant Indian tea and other mufassal concerns can be certainly protected against these difficulties and ruin in bad years and when they cannot get sufficient money and with timely help they can easily become self-supporting and prosper immensely if the Imperial Bank can be induced to advance finances to these concerns, of course with the local banks to support them as additional guarantors for due repayment of the advances. The Imperial Bank can help these new indigenous industries in another way also. The local banks and loan offices generally advance money to tea gardens and other indigenous industries on mortgage of the garden and factory and all other lands and appurtenances and hypothecation of crop and assets and uncalled share moneys. The Imperial Bank can also be persuaded to finance these local banks or loan offices on the security by assignment of these mortgage deeds say up to 90 per cent. or even up to 80 per

cent. of the secured amount of the loans with additional guarantee by the said local bank or loan office for due repayment. The Imperial Bank thereby runs no risk for those advances but these local banks and loan offices obtain great help and facility to finance larger number of concerns with these financial help from the Imperial Bank. Of course, in such a case the Imperial Bank must make due enquiries about the sufficiency and soundness of the securities and may advance only when it is fully satisfied.

At present the Imperial Bank finances gardens on the hypothecation of crop system on the guarantee of any of the Calcutta tea broker firms only, viz., A. W. Figgis & Co., W. S. Cresswell & Co., Carrit, Moran & Co. and J. Thomas & Co. And the Imperial Bank does not as a rule finance on crop hypothecation on the guarantee of the local banks or local managing agents or local agents.

It would be a great help to the industry if the Imperial Bank can be induced to take up finances of gardens on hypothecation of crop and mortgage of garden and assets with an additional guarantee from the local banks or local managing agents.

We understand that a few years ago the premier local bank of Jalpaiguri, viz., the Jalpaiguri Banking & Trading Corporation, Ltd., was prepared to stand guarantor for some local Indian tea concerns for finances to the Imperial Bank at Jalpaiguri but the latter refused to finance those gardens on that condition.

We think the Imperial Bank of India Act provides for financing of tea gardens on the hypothecation of crops. But we are not sure whether the Imperial Bank is allowed under the present enactment to advance moneys on mortgage of tea gardens and lands and appurtenances and other assets, etc. If the present enactment does not cover this, then the Government may be approached for amending the Act.

There is a strong rumour prevalent in Jalpaiguri and also in Calcutta that there has been a sort of understanding amongst Calcutta banks that none of them would finance or in any way help any mufassal bank or loan office which might have taken up financing of any Indian tea concerns or are helping with finances expansion of business of other sorts of Indian concerns. Due confidential enquiries should be made to ascertain if it is a fact and, if so, due steps should be taken to discourage and prevent any such course of action by the Calcutta banks.

Control of the industry.—At present the Indian industry is practically controlled by a few firms of brokers, agents and buyers. The local buying of tea has been concentrated in the hands of a few people (such as Brooke Bonds, Harrison & Crossfields and Liptons, etc.) and they therefore control prices effectively. Even though at the present depressing condition of the tea trade we are selling our teas practically at the cost of production, the consumers do not much benefit thereby as the market retail prices have not practically fallen. Distribution of tea is mainly controlled by these firms of buyers and they practically control and dictate to the trade. This union of buyers have become possible because large tracts of land have come under tea, principally in Java and Sumatra, and the buyers exploit this bogey of over-production, but the world's consumption is also increasing and would increase more if the retail prices were cheaper. This is a great problem.

2. Note on Tea Finance by Mr. A. F. Rahman, B. A. (Oxon.), M. L. C., a leading Tea Planter of Jalpaiguri.

I. **Finance of new gardens.**—There are two kinds of gardens, (a) private and (b) company-managed. So far as private gardens are concerned, they are financed by the proprietors themselves. As a rule, people holding large interests in tea, invest their profits back in tea, and unless there is a period of absolute slump, they are able to find all the funds necessary for opening out a garden and supplying the necessary machinery. As soon as these gardens begin to yield about 1,000 maunds of tea, the running expenses are found by hypothecating the crop with a firm of tea brokers.

(b) *Company-managed gardens.*—In these cases, the necessary funds are found by selling shares. There is such a keen demand for tea shares (especially of a garden in the Jalpaiguri district) that the share capital could be subscribed 2 or 3 times over. Generally, an entrance fee of Rs. 20 or Rs. 25 is charged for each share to cover the cost of land purchase, and the value of a share is either Rs. 25 or Rs. 50. Sometimes a limited number of shares is offered to the public at a premium and there is no difficulty in obtaining money that way. But the share capital of a company garden is not enough for the expenses of the first 4 years. When the share capital is exhausted, the promoters and Directors borrow from the local banks or Marwaris on their personal liability, and finance the garden, until a sufficient production of tea induces a firm of brokers to advance money on "crop hypothecation." In a normal year, i.e., when the tea dividends are average, there is not much difficulty in borrowing; but the prosperity of Jalpaiguri depends very largely on tea and when in a year prices are low, money is obtained with the utmost difficulty and that on a high rate of interest. The local banks become nervous. When such gardens begin to show profit, these debts are paid off first before any dividend is declared.

II. **Old established tea gardens.**—The method of finding the running expenses of these gardens is very simple. At the beginning of each year, say January, a firm of tea brokers is approached for funds on the security of "crop hypothecation." Generally, this firm is only prepared to advance up to 7 annas or 8 annas per lb. on the estimated tea production, and on the credit of this firm the Imperial Bank (Jalpaiguri Branch) advances money month by month up to the amount agreed upon. The Imperial Bank charges 7 per cent. interest and the firm of brokers get 1 per cent. (this includes brokerage and other expenses in connection with the sale of tea). As the tea is sold in Calcutta the debt of the Imperial Bank is paid off first; after each sale, the proceeds are deposited with the Imperial Bank until the garden is free, generally about September. The running expenses of the 4 months, September to December, are found from the sale-proceeds of the tea of that garden. The Imperial Bank itself does not advance money direct to the established concerns, even though they may have fairly large amounts in fixed deposit with the Bank. The Jalpaiguri Banking and Trading Corporation, Ltd., a purely local concern, advances money direct to a concern; that is, unlike the Imperial Bank which requires the guarantee of a recognised firm, the Jalpaiguri Bank deals direct and it also finds the necessary funds for running a garden that is not yet dividend-paying. In a prosperous

year, when tea has sold well and dividends are high, there is no difficulty in obtaining money by this method for the running expenses of an established concern, but in a lean year neither the tea brokers are prepared to guarantee nor is the Imperial Bank prepared to advance any money except on the security of fixed deposit. The Jalpaiguri Bank is also faced with difficulty, because deposits become extremely limited. The Indian concerns have now substantial reserve funds and they can tide over the difficulty of finding their running expenses for a year or two, even if there is no profit, but the infant concerns are hit hard, because their programme has to be curtailed and profits therefore recede in the distance; or in other words, if a new garden expects to be self-supporting in, say, 5 years, it has to wait another 2 years because it has not been able to incur the necessary expenses for scientific manuring, the supply of costly machinery and a large labour force.

So far as capital expenditure is concerned, this is deducted at the time of paying dividends, when the programme for the next year is approved.

The tea industry is passing through a crisis at present. The buying of tea has been concentrated in the hands of a few people, not more than 5 or 6 (Brooke Bonds, Harrison & Crossfield, Lipton, etc.) and they, therefore, control prices effectively and in order to prevent a combination of producers, they pay discriminating prices, i.e., high prices to some and low prices to others. Even though we are selling tea practically at the cost of production, the consumer does not benefit at all as his prices have not fallen. This ring of buyers has become possible because large tracts have come under tea recently principally in Java and Sumatra; and buyers exploit this bogey of over-production, but the world's consumption has also increased and would increase more if retail prices were cheaper. This is the biggest problem before the Tea Industry.

I am enclosing a letter (Appendix A) just to show what information the Imperial Bank requires before it agrees to advance money on the guarantee of a recognised firm.

APPENDIX A

[True copy.]

Imperial Bank of India.

Jalpaiguri.

Dear Sir,

Name of the Tea Garden.

I shall be most grateful if you can, at your leisure, let me have the following informations regarding the above garden, viz. :—

1. Where situated.
2. Acreage under cultivation.
3. Approximate age of bushes
4. Total acreage.
5. State of factory.
6. Labour force.
7. Water-supply.
8. Output in maunds for the past 5 years.
9. Profit realised for the 5 years.
10. Prices realised for Tea during past 5 years.

Yours faithfully,

(Sd.) Illegible,

Agent.

3. Note on Tea Finance by Mr. Tarini Prosad Roy, one of the biggest Tea Planters of the Jalpaiguri District and for many years connected with the Jalpaiguri Banking and Trading Corporation as its Managing Director.

Most of the Tea gardens in the Jalpaiguri district are limited liability companies. Only a few are privately owned.

Finance of Company gardens.—These gardens are started with share capital. In addition to this either an admission fee or deposit without interest, from one-fifth to the full face value of shares, is taken from the shareholders. Such deposits and admission fees are generally returned to the shareholders after 10 or 12 years. Some times extra funds required at the time of opening the gardens are supplied by the Directors or promoters. But funds raised in all these ways are not sufficient to meet the running expenses and capital expenditure of newly started gardens. The Directors of such gardens have, therefore, to borrow either on their personal security or on the mortgage of the gardens, at rates of interest, varying from .9 to 12 per cent. when the money is obtained from loan offices, and from 12 to 21 per cent. when the money is borrowed from the Marwaris. By the fourth year, new gardens generally begin to yield tea. This annual crop is hypothecated with brokers who supply funds themselves, or arrange on their guarantee cash credits with the Imperial Bank or other European banks (e.g., the Chartered Bank of India, Australia and China) for financing the gardens. There are only four firms of tea brokers in Calcutta, viz., (1) Messrs. J. Thomas & Co., (2) Messrs. W. S. Cresswell & Co., (3) Messrs. Carrit Moran & Co., and (4) Messrs. A. W. Figgis & Co.

The broker or the lending bank charges 1 or 2 per cent. above the bank rate, with a minimum of 7 per cent. as interest. In addition to this, a brokerage of 1 per cent. on the gross sale-proceeds has to be paid to the broker. When the annual crop of a garden is thus hypothecated to a broker, the entire crop of the year is sent to the latter, who sells it in Calcutta. Out of the sale-proceeds the loan is first paid off and the brokerage and sale expenses are deducted by the broker. The balance is returned to the tea company.

In the case of good gardens, running expenses are met entirely from the hypothecation of the annual tea crop, from the sixth or seventh year.

When there are Managing Agents (they are really financial, rather than managing agents), they supply practically all the funds required in well established gardens. Messrs. Martin & Co. are the Managing Agents of 17 or 18 out of about 60 Indian gardens in Jalpaiguri and Darjeeling districts. This firm first undertook this business in 1917. They charge a very high commission (2½ per cent. on the gross sale-proceeds) plus interest from 8 to 9 per cent. on the annual advance. The Jalpaiguri Banking and Trading Corporation advance money to the Indian tea gardens not only on the personal security of the Directors, but also on the hypothecation of the annual tea crop without the guarantee of a broker. If the Imperial Bank could advance money under similar conditions, there would have been additional banking facility to the Indian tea gardens. A few years ago the Jalpaiguri Banking and Trading Corporation was prepared to give

guarantee on behalf of some Indian gardens to the Imperial Bank at Jalpaiguri, but the latter refused to advance money on such conditions.

Practically, the same procedure is followed by privately owned gardens, both for capital expenditure in initial stages and for running expenses afterwards.

4. Memorandum on Loan Offices in Bengal by Mr. J. C. Sen, Manager, Calcutta Branch of the Comilla Union Bank, Ltd.

It can be said as a general rule that most of the loan companies have a very small paid up capital, their reserve fund is meagre and it is invested in their ordinary business. The bulk of their loans are made against immoveable properties and on personal security. Their deposits are usually for longer periods, running from one to four years.

My personal opinion is that the loan companies of Bengal are heading for a crisis and this is inevitable so long as they do not realise that by calling themselves loan companies, they do not get away from their responsibility of repaying their depositors on due dates of maturity. At present most of the loan companies are run by men who do not know the A, B, C of banking. Owing to the high rate of dividend paid by them, large number of loan companies are coming into existence. Where there is hardly enough business for two banks there are 20 and by competition among themselves as well as with Co-operative Central Banks, the rate of interest on deposit has gone up in the mofussil.

These deposits bearing high rate of interest are immediately loaned out either against land or on personal security. This type of business may be quite safe, but it is the common knowledge of all who have anything to do with this kind of business that the money is not realisable for a number of years and very frequently litigation has to be resorted to.

I am told that certain loan companies have been forced to buy up the mortgaged properties themselves for want of a bidder. All these Zemindary properties are being acquired with the depositors' money and if the stream of fresh deposit should dry up for some reason or other and the old depositors would demand back their deposits, it is not difficult to conjecture what the fate of these banks will be.

The loan Companies do not keep a proper system of account and that for the simple reason that they do not know how bank account should be kept properly. The usual books maintained for money-lending and talukdari business are drafted for this purpose and from time to time additions are made. The book keeping is of single entry system and often the auditors after the annual closing have to spend a long time in preparing the balance sheet.

I have been in fairly close touch with loan companies for over a year and it is my considered opinion that the present state of affairs should not be allowed to continue even for a single day. I beg to submit that the present Companies Act is not quite suitable for incorporating banks. A special Bank Act, incorporating some of the features of the Companies Act as well as other features specially pertaining to Banks, should be passed and all Banks must be registered under this special Act.

I would suggest some such restriction as follows:—

(1) All Banks registered under the Act must carry on banking business only and should not engage in any other trade.

(2) A minimum paid up capital should be prescribed for all banks and taking into consideration the present economic condition of the country, it should be fixed at Rs. 25,000. In places where the population is over one lakh, the minimum paid up capital should be Rs. 5,00,000.

In places where the population is below one lakh but not less than 50,000 the minimum paid up Capital should be Rs. 1 lakh. In all other cases the minimum should be Rs. 25,000. Too low a capital limit encourages unsound banks to come into existence; similarly by putting a very high limit it will have the effect of checking the growth of banks altogether.

It seems to me that some restriction is desirable on the kind of business done by these banks. I would suggest the following checks:

(1) Not more than 20 per cent. of the total deposit should be invested in immoveable securities such as land and houses and also personal security. This business cannot be altogether stopped as in mofussil places liquid investments are not readily available.

(2) The reserve fund must be invested in Government securities.

(3) No bank will pay a dividend exceeding 10 per cent. until the reserve fund is equal to its paid-up capital.

(4) All banks must maintain a proper system of account and it is desirable that it should be prepared by a responsible authority and made available to the banks.

(5) An authority should be set up under the Central Government, who should ask for periodical tabular returns at least 4 during the year. These returns will show particularly the nature of the investments.

Borrowers' name.	Details of securities.	Date of advance.	Amount advanced.	Present market value.	Percentage of margin maintained.

I have got only one more remark to make about the cheque habit. Owing to the absence of clearing facilities for Indian banks even in Calcutta, cheque habit cannot grow fast. The only way this can be done is by organising clearing houses in mofussil towns where there are sufficient number of banks. In important trade centres like Calcutta, Bombay and such other places, subsidiary clearing houses may be organised for small banks. One clearing a day will be sufficient for these banks. This is the only way by which cheque habit can be increased.

5. Memorandum on the Loan Offices and Joint Stock Banks in the mufassal by Mr. Sudhirendra Kishor Dutta Ray, B.L., Fellow of the Royal Economic Society, London, Secretary and Director of the Brahmanbaria Loan Company, Ltd., Director of the Brahmanbaria Planters' Agency, Ltd., Director of the Krishnapur Tea Company, Ltd., etc.

In the Indian Companies Act there is no mention of what should be the minimum capital of a Joint Stock Company, and so, of a bank. In limited companies the liability of the shareholders is limited, but the company can, as a body corporate, incur unlimited liability. Such being the case, companies very often incur liabilities, which their capital and assets do not justify. As the money of the company is invested in unliquid form, in case of demand the company stands the chance of bankruptcy and thus the position of the creditors is also at stake. The people of our country are not yet trained to take a correct view of the state and affairs of a company, as mostly they cannot understand the balance sheet. They are allured by the rate of interest which the company allows on deposits and thus run the risk of a mere speculation with their hard-earned money. They do not consider what resources the company has to pay the interests of deposits, or the principal, in case of demand. It is incumbent on the State to safeguard the interests of all and so it should find out a remedy for this.

It is difficult to suggest what should be the minimum capital of a banking company. Considering the monetary position of the country, the subscribed capital of a banking concern should be not less than Rs. 50,000. No new banking company should be allowed to commence business unless it can realise the minimum subscribed capital of Rs. 50,000 within a specified time after its registration. Section 103 of Act VII of 1913 should be amended accordingly. A company failing to do so should be dissolved and this provision should be inserted in section 162.

The existing companies, whose capital amounts to Rs. 50,000 or upwards, or companies whose capital together with the funds amounts to this, shall be allowed to carry on business. There is no statutory bar to prevent any company from disbursing any of its funds in any way. Such companies, whose capital falls short of Rs. 50,000, but with its funds amounts to this, shall be compelled to convert from its funds the amount falling short of Rs. 50,000 to capital. Thus the face value of the shares will be raised, and the capital will reach the desired amount without any prejudice to any one. The purpose of the new law will thus be fully served.

Sections 162 and 163 of Act VII of 1913 deal with liquidation. Banking companies, whose capital or capital with the funds does not amount to Rs. 50,000 or the companies which fail to convert their funds into capital as in the cases stated above, should go to liquidation. This should be done at the instance of the Registrar of Joint Stock Companies.

2. In or about the year 1908 or 1909, there grew up spontaneously a great number of rupee insurance companies in this country, which were of ephemeral existence. After their disappearance, the condition of the country became like that of England after the bursting of the South Sea Bubble. People lost a great deal. Now-a-days banking companies are being started at random. It is not known what will be its ultimate result. After the disastrous fate of the rupee insurance companies, a Bill to consolidate, amend, and extend the law relating to insurance companies was introduced, which was inaugurated as Act VI of 1912 and by it the insurance companies were compelled to make deposits with the Government. Similarly, it is desirable that banking companies should also be compelled to make some deposits with the Government which should be a part of the capital. The Court of Chancery in England did not allow the trustees to invest the trust properties save in approved securities. Under Act XLVII of 1920 the Imperial Bank of India can carry on and transact business only of the several kinds specified in section 8, schedule I. After making the compulsory deposit the remaining part of the realised capital, the banking companies should be compelled to lay out in investments which are to be specified by the Government.

3. Almost all the companies mix up all their funds together and invest them in the ordinary way. As a natural consequence, they do not get any benefit from them at the time of a crisis. Moreover, there is nothing to prevent the companies from paying dividend from funds, which the over-zealous enthusiasts often do to attract depositors, by the high rate of dividend. This is suicidal. Limited companies should be barred from distributing any portion of its funds, except that which is kept apart for dividend equilisation, in any way except to make up for any loss incurred in the course of their business. Moreover, a certain percentage, in all cases, of the funds of a banking company should be invested in approved securities, which are also to be determined by the Government. Section 32 of Act II of 1912 enumerates a list of investments in which the funds of a co-operative society may be invested. Such a list of approved investments, in which the banking companies must invest a part of its funds, should be made. After the balance sheet is filed before the Registrar under section 134, the Registrar shall inform the company the amount which is to be thus invested and shall ask the company to do so within a specified time. If the company fails to do so, the matter will be dealt with as under section 134 (4).

4. In the mufassal, the companies do not get the benefit of the share market and of the marketable Government and other securities in case of immediate need. So they find great difficulty in investing their funds, which they want to keep in liquid form, and the cash in hand. Something must be done to remove this drawback. Companies registered under the Indian Companies Act should therefore be allowed to open Post Office Savings Bank accounts under Public Accounts of Savings Bank Rule No. 42. Moreover, all the facilities

allowed to societies registered under Act II of 1912 should be allowed to registered banking companies in this respect.

5. The maximum holding of Cash Certificates at any time by a registered banking company should be limited to Rs. 50,000. At present no interest is allowed, if the Postal Cash Certificates are cashed within a year of the purchase. But after one year interest is paid for every three months. If this is changed, the Postal Cash Certificates will be certainly more popular. To do this, interest should be allowed on these certificates for every three months, even if they are cashed within a year. If no higher interest for such cashing is allowable, interest may be allowed, at least at the rate of Savings Bank deposit.

If these two measures are adopted banking companies will find various advantages and shall escape from many difficulties.

6. No one who has any practical experience can conceive how the companies strive and scramble to secure deposits. They compete and vie with each other, higgledy, and take resort to every sort of inducement. As a result, the interest on the deposits is raised, the burden of which ultimately falls on the shoulders of the unfortunate borrowers. Persons closely interested in the company borrow money like private parties on behalf of the companies to invest them in loans. Such investments are usually made at exorbitant rates, sometimes up to 75 per cent. per annum. If the companies be not compelled to stop receiving deposits or accepting loans at high rate of interest, it is impossible to stop usury and such other malpractices. As a remedial measure, the banking companies should not be allowed to accept deposits or incur loans at more interest than a fixed rate, which should be a certain percentage over the banks' published rate of interest. If in this way the interest is controlled, the sure result that will follow is that usury will be stopped. Thus, the suffering borrowers will be much relieved. Usury is more practised by banking companies than by private individuals. In one case a person took a loan of Rs. 500 from a company, the interest of which amounted to something like Rs. 5,000. Recently a mortgage suit has been decreed by a Sub-Judge's court for about Rs. 18,000, the principal of which was one thousand rupees only. It is possible to get remission from a private individual by appealing to his sentiments and humanity, which is an impossibility in the case of the corporate machinery. Moreover, private individuals, in order to save troubles, expenses and time of litigation, hesitate to go to court, which companies do not. The costs of litigation add to the claim and thus crush the judgment-debtors. If the companies get deposits at comparatively low rate, they can invest also at lower rates, which will relieve the borrowers. The interest on deposits is raised more for the sake of competition than for any other cause. As an auxiliary measure to achieve this end, the companies should not be allowed to receive deposits at random. No company should be allowed to accept deposits or to incur any liability beyond a few times over its capital and funds, which must be not more than four times. This will direct the attention of the company towards increasing the funds, which will vouchsafe the safety of the depositors and shareholders.

7. The vigilance of the Government on banking companies should be more comprehensive and strict. Under the present law the audit of the company is made by a person appointed by the company itself on their behalf. He himself is the company's man. Moreover, as he is in constant fear of being not elected, he cannot be independent and cannot protest any action of the management. It is natural that nothing

impartial can be expected from him. There are, of course, provisions for appointing Inspectors under section 138 or 142 of Act VII of 1913. But such appointments are only provided for in case of suspicion or perpetration of an offence. There is no check on the companies from the outside. Nor is there any preventive measure. There must be periodical Government audit of the internal affairs of the company and persons empowered to act so shall have power as under section 4 of Act XV of 1881. The report of the periodical inspection should be submitted to the Government, and the copies of it should be sent to the shareholders. Under section 136 of the Indian Companies Act, banking companies are required to publish a statement. The statement and its copies are to be sent to the Registrar and to the shareholders. It is desirable that such a statement should also be published in a registered newspaper of the province.

8. Banking companies fail more for the neglect of the Directors than for any other fault. It is desirable that the Directors of the banking companies should be compelled to be more careful. It is also a fact that in many companies, there are Directors who do not at all understand the technicalities of accounts. Some of them cannot even read the balance sheet. The number of such ignorant and irresponsible directors is not few. They care more for their attendance than for the work of the company. In a company a Director suggested to the Secretary to have the required resolutions framed out before the meeting to save time. What benefit can be expected from such Directors? In many companies the board is nothing but a statutory equipage. Thus to remedy these the liability of the Directors in a banking company should be made unlimited and section 70 of Act VII of 1913 should hold good in such companies. The Directors should be liable both jointly and severally to the company and the relation of the Directors to the company should be as between the trustees and *cestui que trust*.

9. Brahmanbaria is a place abounding in banking companies, though a score of years ago there was none but one. In the line of joint stock banking enterprises, the Northern Bengal took the first lead. It was at Rungpur, when my father (the late Ananda Kisor Datta Ray, B.L., retired Sub-Judge) was a Munsiff there, that he got the idea and as a result the Brahmanbaria Loan Company, Ltd., was established in 1901. People of the locality were such strangers to the idea of such company then, that shareholders had to be invited from Rungpur. The Company is now the premier of its kind. Though begun with the modest capital of Rs. 12,000 the funds of the Company now exceed Rs. 2,06,000 and the property and assets Rs. 9,85,000. Last year it declared dividend at the rate of 125 per cent., after keeping apart more than twice of its capital for the funds, which is unique in the annals of the banking companies. My father founded such other companies in other parts. I found opportunity of looking into the affairs of banking companies from my very boyhood. I have been working as one of the Directors of the Brahmanbaria Loan Company, Ltd., from my post-graduate college life and have been working as its Secretary after the completion of my academic career. It is during my tenure of office that the Company has come to such a prominence. The knowledge and experience I culled out are neither based on theories nor on books, but in practical field. The suggestions made by me, if followed, will be conducive both to the development and safety of the banking enterprises of the country, and will save the people, depositors and borrowers from the undue and unholy grip of tyrants.

6. Monograph on Indigenous Bankers and Money-lenders by Mr. N. K. Paul, Income-tax Officer, Mymensingh.

Banking and money-lending business, carried on in this country, exclusively by private banks, firms, or individuals from time immemorial, has been dwindling with the development of banking on modern lines and introduction of joint stock principle, and their scope and field of operation is becoming restricted day by day. The reasons for such a state of things are not far to seek.

It may not be out of place to mention in this connection that private banks, firms or individuals generally keep in close touch, and in some cases, have personal relation, with their customers and can administer to their needs and requirements quickly by allowing timely accommodation. In this they have certainly an advantage over joint stock companies. In the case of investment on small scale, such as small loans granted to individual customers without security, the rate of interest charged varies in this part of the country from 12 to 37½ per cent. per annum, but according to exigencies of time and season money is lent even at the rate of 75 per cent. per annum. Generally speaking, rate of interest rises higher when jute season becomes over and money market grows tight.

Save and except in the case of short-term loans on small scale which may be realised in jute season, investment of money on high and exorbitant rate of interest invariably results in losses. It is very difficult to ascertain to what extent loss is sustained in cases where money is lent without security on high rate of interest and interest is allowed to accumulate. But it may be safely assumed that 50 per cent. of such loans on high rate of interest becomes ultimately irrecoverable. The annual exodus to Assam or Cooch Behar is not, as is generally supposed, due to activities of avaricious money-lenders, but there are many factors to account for it.

Private banks, firms and individuals were so long doing excellent business in their own ways, granting relief or remission and allowing easy instalments where necessary. On the one hand, it may be urged that in some cases they take advantage of the situation charging high rate of interest. On the other hand, it may be said in their favour that they run a great risk in lending money without security.

The establishment of Co-operative Banks and other Joint Stock Banks have taken away a good deal of business from the hands of the indigenous bankers and money-lenders but it cannot be denied that they still occupy an important place in the credit organisation of the country. Within recent years it has become almost a mania with a certain section of the people, not usual money-lenders, to start loan offices indiscriminately and the result is the growth of too many loan offices or joint stock companies in a particular area, creating unhealthy and unsafe competition, raising rate of interest payable on deposit and consequently raising rate of interest payable by customers. It may also be noticed in this connection that indigenous bankers and money-lenders do not as a rule take interest in advance nor do they insert any penal clause for enhanced rate of interest in the event of default, as is usually done by these loan offices and in some cases by Co-operative Banks.

So far as secured investment is concerned the rate of interest charged is very low.

7. Note on Money-lenders by Mr. N. C. Saha, M. A., Income-tax Officer, Bakarganj.

Some ways of investments of money-lenders I came across in course of my assessment work and personal experience are noted below:—

(1) Small sums below Rs. 100 are usually lent on simple bonds at 24 to 36 per cent. interest payable within three years. Compound interest is rarely charged and rarely realised.

(2) Big sums yield interest of 12 to 15 per cent. usually. Among the merchant community this is generally 12 per cent. and investments are made on hand notes or by stamps attached to the debtor's account. Often no stamps are even required. The principal and interest are payable within three years.

(3) Big sums over Rs. 200 or so are invested on registered bonds payable within 12 years. Interest charged is much less than that charged for simple bonds or hand notes. It is usually 15 per cent. but often rises to 24 per cent. even if the debtor's condition is bad.

This investment on mortgage of lands has very often to be realised by sale of the mortgaged properties.

(4) Lending is also done on pawning of ornaments. Sums invested are usually small—from Rs. 2 or even Re. 1 to Rs. 50 or so. Rarely in big loans of Rs. 1,000 or so any pledge of ornaments is met with. Interest charged for small loans is $37\frac{1}{2}$ per cent. and on big loans 18 per cent. or so.

(5) Investments are often made in the shape of corn or field produce, e.g., one maund of paddy or rice is lent at sowing seasons and one and a half maund is realised from debtors at harvest time.

(6) Interest is often realised in kind, e.g., Rs. 50 is invested at needy seasons. The money-lender realises Rs. 50 plus a maund of molasses or two maunds of rice or ten seers of betel-nuts or such according to the crops produced by the debtors. The interest obtained in such cases varies from 24 to 36 per cent.

(7) Big sums over Rs. 1,000 or so, invested on mortgage of town properties, usually yield very low interest (the lowest interest charged by indigenous money-lenders)—between $7\frac{1}{2}$ to 9 per cent.

(8) Poddars staying in market places have a very useful and profitable source of investment. They lend small sums at hat days which sit once or twice a week and get the principal as well as interest next hat day. The interest or batta as it is called is 25 to 48 per cent. These small sums often as low as Re. 1 or annas 8 are taken by cultivators who cannot sell their produce but need buy necessities for home, such as salt, cloth, sugar, oil, etc. Small merchants also take such loans when necessity arises, at fixed interest of one rupee for every hundred rupees payable on the next hat day which sits once a week. If it sits twice a week the interest then is annas 8.

(9) Money-lenders often advance loans to milkmen, prostitutes, vegetable-dealers, fishermen and such others, i.e., persons whose daily earnings are small but sure, but who cannot afford to pay large amounts at a time. Rupees 10 to Rs. 25 is usually lent and annas 4 or annas 8 is paid every day from the next day till the loan with interest at, say, 24 per cent. is fully paid.

(10) Many shop-keepers or retail dealers sell goods (salt, cloth, sugar, etc.) at a time when the cultivators have no money to buy with and realise the cost with 25 per cent. interest when the harvest comes.

(11) Aratdars usually of Calcutta charge byaj or interest on money advanced to merchants of the mufassal or to their constituents at rates between 9 and 12 per cent.

(12) Battas charged on hundis or drafts vary according to need of the parties concerned and according to the nature of the drafts, i.e., whether payable on demand or after 30 days or such. These are largely used by people who have occasion to make payments in Calcutta for purchases made there and vice versa.

3. Memorandum by Mr. Mriganka Bhusan Roy, Deputy Collector, Rangpur.

There is no difference of opinion that the poverty of the masses, i.e. the agriculturists, is due largely to the unscrupulous finance system of the mahajan—a system of legalised extortion which the existing law courts are powerless to prevent. The Usurious Loans Act (Act X of 1918) has practically brought no relief to the agriculturist-debtor. Any attempt on the part of the debtor to invoke the aid of this Act would ruin his prospect of securing future loans from local mahajans; and out of prudential considerations he avoids its aid and allows the existing system to crush him. Law courts are very reluctant to disturb voluntary agreements and a rate of interest at 36 per cent. per annum is not considered extortionate or usurious.

The help rendered by the existing rural Co-operative Societies in financing agriculture is negligible in comparison with the requirements of each agricultural unit, say a village or a group of villages. Only registered members of such a society (15 to 20 in number) are eligible to enjoy its benefits. Besides, the principle of unlimited liability is hampering the growth and expansion of such societies and as a matter of fact we find that responsible and solvent cultivators are reluctant to join them.

Practical proposals to solve the difficulty.—Each circle or a group of compact number of union areas may be formed into a unit. Each such unit will have a central store or farm with an office attached to it and will be required to raise a working capital of Rs. 10,000. Half of the amount being divided into many shares will be contributed by the agriculturists of the area and the balance to be advanced as loans carrying nominal rent of interest in equal shares by the District Board and the Government.

Each unit will have the assistance of a whole-time trained agricultural officer with two or more demonstrators under him. The cost of such an establishment should be borne by Government up to a certain period after which attempt should be made to replace the departmental staff by selected local cultivators who would pick up experience by working in association with them.

With the amount thus raised seeds of paddy and other crops suitable for the area, improved implements of agriculture and manure will be purchased. These may be sold to the cultivators on payment of cash price or advanced as loan to such of them as would

agree to cultivate a specified area, under the direction and guidance of the agricultural staff of the unit. The duty of the staff will be to demonstrate by practical results in the shape of increased yield or output, the value of selection of seeds and the utility of the use of improved implements and manure. The success of such an experiment can be brought home to the conservative cultivators when it will be possible for the staff to demonstrate before their very eyes the value of these methods by bringing forth increased output.

This system will eventually put a check to the habit of the cultivators of mortgaging their crops in advance by taking *sata* loans (a system by which a loan of a certain amount of money is taken in Falgoon or Chaitra to be repaid in Bhadra or Aswin by delivery of a certain amount of jute, paddy or tobacco).

The loan of seeds or paddy taken by the cultivators will have to be paid off after the harvesting of their principal crops. The cultivators may choose to have their crops sold through the agency of the rural farm which will try to obtain the full value of the produce by selling the stock to dealers in Calcutta and other important trade centres.

Farm may open subsidiary industries which may give employment to the local cultivators in off seasons when they sit idle.

The check abuse and corruption arrangements will have to be made for periodical check of the accounts of the firm by qualified auditors.

The firm will act as a bureau for dissemination of expert knowledge relating to agriculture to the local cultivators.

It may be further utilised as a suitable ground for propaganda to check over-production.

9. A Joint Memorandum on Financing of Industries, by Mr. S. G. Mitter, B.Sc. (London), Industrial Engineer, Bengal, and Mr. K. N. Banerjee, B.A.

It is difficult to visualise any healthy and steady expansion of the indigenous industries of India unless we can properly tackle the problem as a whole, affecting their development. It is a known fact that the development of industries depends upon many factors and it is not possible to deal with them by compartments. No amount of technical knowledge or banking facilities can save an industry, however, favourably placed it may be with regard to the supply of raw materials or the marketing of its products, if the fiscal policy of Government do not support it. Exchange rates have their effects on local industries; unstable currencies, contraction of credit and of purchasing power vitally affect their growth. So no scheme of industrial development can succeed unless all these factors are considered together.

2. It is to be considered on what lines the industries should be developed to be of the greatest advantage to the children of the soil. Almost all large scale business enterprises, such as exist in India whether in the shape of banking institutions, shipping companies, railways, insurance companies or tea and coffee plantations and mining companies, are carried on with the help of foreign capital. With the exception of Cotton Industry, Indian capital has not yet been

attracted, in any appreciable degree, to large scale enterprises. And, considering the present circumstances in the country, it is doubtful whether they will be able to adopt modern industry, in its colossal form; in the near future. Sir Alfred Chatterton, dealing with the question of protection and large scale industry, rightly remarked in his book entitled "Industrial Evolution in India" that in such a system even—"The educated Indian would play but a small part and he would in course of time realise that the protective duties mainly served to enable Europeans to exploit the country." In the same book, he has continued: "India does not want a protective tariff to enable an artificial industrial system to be created, the masters of which will be able to take toll of the earnings of the country and establish a drain on its resources which will in the long run retard progress."

3. Modern industry is not only difficult to pursue but also not suited to the genius of the people. Reference may be made to our article on "Small and Cottage Industries of Bengal" published in the "Forward" of 8th July 1927, in which this question has been dealt with in detail. A copy of the article is enclosed herewith (not printed).

4. We are definitely of opinion that unless the development work proceed on a line consistent with the socio-economic traditions of the country, it will not benefit the people of India. It should be the definite policy of Government to support small and cottage industries and all financial and fiscal policy of Government should be so formulated as to promote this end. That the Government can shape the destinies of many industries will be apparent from the two reports on the "Possibilities of development of match industry on Cottage lines in Bengal" that the Industrial Engineer submitted to the Tariff Board. Copies of these reports are attached herewith (not printed).

5. The primary factor in the development of industries in India, as everywhere else in the world, is of course an abundant supply of capital. Growth of capital in a country depends upon the ability of the people to save, and it is absurd to speak of saving in a country where the large majority of the people live on a bare minimum of subsistence. This is another reason that stands in the way of the development of large scale factories by the Indians. No provision of banking facilities will really benefit the people unless it is so organised as to help the small industrialists.

6. There is at present complete divorce between banks and industry, the banks being essentially and almost exclusively commercial banks, avoiding industrial financing as a thing to be dreaded. The activities of the Imperial Bank of India, Ltd., are strictly confined within certain limits laid down in the Bank Act, and the underwriting of industrial capital and investing in or lending on the security of shares in industrial concerns is beyond the scope of their activities. The Exchange Banks, which come next in the order of importance, have their activities likewise confined to the financing of foreign trade at the seaports. The Indian Joint Stock Banks are rapidly increasing, but almost all of them finance trade and not industry. Industrial finance is so radically at variance with the ordinary business of a commercial bank, that no institution can venture to carry on both at the same time.

7. "The problem of Industrial Banking" according to the opinion of the experts, "is to have banks which can borrow for longer periods, so that they may not run the risk of having their funds withdrawn suddenly, with a staff capable to judge the technical and business prospects of concerns which come to them for assistance."

8. Nowhere the development of industrial banking was so marked as in Germany. "In Germany," said Herr Schuster of the Dresdener Bank, "our banks are largely responsible for the development of the Empire, having fostered and built up its industries. It is from 1871 that our real development dates, and it is since that year our great banks have been organised." "To them, more than to any other agency," he added, "may be credited the splendid results thus far realised."

9. The German banks undertook every kind of credit operation—advances on personal security, advances against goods, discount, as also assistance in company flotation. Credits to industrial concerns, at first short, became longer and longer until they amounted almost to partnerships. Industrialists sat on the directorates of banks and—much more important—bankers tended to control the policy of industry.

10. Not only in Germany but also in other countries, banks grant loans to farmers on personal and collateral security. The United States Department of Agriculture Bulletin No. 1048 may be seen in this connection. In the United States, personal and collateral bank loans outstanding on 31st December 1920 amounted to as much as \$3,869,891,415.

11. We suggest that industrial banks be opened in different parts of the country with such arrangements that loans may be granted to cottage workers and farmers on personal and collateral security. We refrain from making any remarks regarding the detailed organisation of the banks as it can only be done by experts.

12. It is to be noted that these banks will be of no service to the small industrialists and cottage workers unless they are prepared to allow unsecured advances or advances against goods and produce. To know whom and whom not to trust is the test of successful bank management. As the banks will be localised in different centres, their intimate association with the industrial movements should keep them alert. It is of course quite possible for a banker to be over-cautious, but the past master in bank management will strike the happy medium between over-caution and undue optimism. It is recognised that one principal *raison d'être* of a modern bank is the facilitation of trade. A request for what would otherwise be legitimate accommodation need not necessarily be turned down solely on the ground of lack of security in a concrete form.

13. Government should encourage individual bankers and small joint stock concerns in the mufassal to start such banks, *specially in hats and other places of business*, and there should be legislation for providing Government supervision and auditing for such banks as would agree to come under such supervision. The staff of the Industries Department should provide them with technical assistance as far as possible and Government should deposit some money with these

banks to inspire public confidence. The kind of activities for these small banks may be as follows:—

“(a) These banks should have their own warehouse; one branch of the business will be to advance money on grains and country products actually deposited in these warehouses. Another branch of the business will be to advance money on imported articles waiting for distribution in the neighbouring areas. A third branch of the business will be to advance money on raw materials and finished products in connection with cottage industries and small industries. A fourth branch of the business will be to advance money to agriculturists, proprietors of cottage industries and small industries. But in order to minimise the risk of such advance to parties who will not actually deposit their goods in their warehouses there should be a provision for guarantors and the amount advanced should be limited by a certain percentage, say 50 or 60 per cent., as may be determined later by statutory rules of the total value of machinery or crop. Where there is actual deposit of goods in warehouses there need not be any guarantor and the percentage of the advance may be higher than in cases where there is not actual deposit. Where there is no actual deposit, there should ordinarily be a guarantor and the percentage of advance will be comparatively lower. The guarantor or the person taking the loan may also be asked wherever necessary to hypothecate his land, and there should be some speedy procedure for the sale of land or goods or for realisation from the personal credit of the guarantors or debtors in case of default or of mis-application of the money lent for a purpose other than the object of the loan. In order to prevent abuse of this special procedure it may be ruled that this special procedure will only be available to the bank after obtaining sanction of some specially selected Government officers. A fifth branch of the business will be to receive deposits on payment of interest from capitalists, small or big.

(b) These licensed banks should, under rules framed by Government, be required to keep correct accounts of all their transactions in forms that may be prescribed.

(c) The accounts of these licensed banks will be periodically audited either by Government auditors or by licensed auditors approved by Government. The banks should entertain comparatively inexpensive staff and ordinarily they should keep their accounts in vernacular. As these banks grow up more employees will be necessary and facilities for training such employees may be provided later on.

14. This is a very brief outline of what might well be the activities of these small banks, but they should also be encouraged under proper supervision to go in for other safe activities. The object of setting out the above outline is to illustrate the kind of business that seems possible and not to lay down the limits of such business.”

15. So far about industrial banks. But its organisation and development is a question of time and considering the acute economic condition in the country, small industrialists cannot be expected to wait for an indefinite period. It is necessary to arrange for immediate financial relief and that is not possible without State aid. The Engineering Section of the Industries Department invented a number of labour-saving machines, such as conch shell cutting machine, umbrella handle bending and marking machines, paddy husking machine, etc., and also devised improved method of manufacture of bell-metal and other articles. Though the improved methods of manufacture were

successfully demonstrated in various parts of the province and greatly appreciated by the workers, very few of them could adopt them as it entailed a capital outlay of a few hundred rupees. When we opened short course training classes for different industries, it was difficult to find accommodation for the large number of applicants that responded, including distinguished graduates of the Calcutta University, but for want of capital only a few people among them have been able to utilise their training in the industrial field.

16. Government of Bengal have of course accepted the policy of granting loans to industrialists but no effect has practically been given to the policy yet. The State Aid to Industries Act, which has been passed and is already in force for a number of years in other provinces of India, is still under consideration in Bengal. We do not think even its enactment will improve matters if the provision of loan is to be made from the Provincial revenue. Government of India must come to the aid of the Provincial Governments in this matter.

17. We do not dispute the point that there is an element of risk in granting loans to small industrialists, but this risk has to be borne as the development of small and cottage industries is the only solution of the growing unemployment problem and no development work is possible at present without such financial aid from Government. Now that millions of pounds are distributed as doles to the unemployed in Western countries it cannot be called a misuse of public money if the Government in our country grant facilities of loan to the unemployed young men for a productive work which they will make every endeavour to repay with interest.

10. An Economic Survey of the Subdivision of Jamalpur, district Mymensingh, by Mr. B. B. Ghosh, Subdivisional Officer, Jamalpur.

Situation.—Jamalpur subdivision is in the north-west of the Mymensingh district and is bounded on the north by the Garo Hills, on the east by the Sadar subdivision, on the south by the Tangail subdivision and on the west by the river Jumna.

Area and Population.—It has an area of 1,284 square miles and a population of 958,494 (according to the last Census Report), of which 794,068 are Muhammadans, 158,934 are Hindus, 4,812 are Animists, 918 Christians, and 302 others. Of the Hindus and the Christians, a substantial number is represented by the Garos, and Hajangs inhabiting the villages at the foot of the Garo Hills.

There are large number of up-country coolies and servants in this subdivision who chiefly come for the cold weather and the jute season and return after the jute season is over. Some of the up-country immigrants have settled in this subdivision and have taken to cultivation. The total number of villages in the subdivision is 1,138 and the number of occupied houses is 16,074.

Physical features.—There are two principal rivers in the subdivision, viz., the Jumna bounding it on the west and the river Brahmaputra going right through the middle from west to east. There are other small rivers running through the subdivision, viz., the Mirki, Banar, Dasani, Malijhi, Jhinai, Jharkat, Balesvar, Bangsha, Bhogani, which go almost dry in the summer season. There are extensive bils in Sribardi, Sherpur, Nalitabari and Nakhla Thanas of this subdivision.

Communication.—Eastern Bengal Railway has its terminus at two Ghat stations of this subdivision, viz., Jagannathganj (connected by

ferry steamer service with Sirajganj) and Bahadurabad (connected by ferry steamer service with Fulchari Ghat). The other terminus of the railway is Narayanganj. This railway line connects Jamalpur with Mymensingh and Dacca.

The steamer service of Joint Steam Navigation Company over the river Jumna, has some stations in this subdivision, of which the principal are Pingna, Jagannathganj and Bahadurabad.

Goods (specially jute) are generally carried by country boats through the river and other channels during the rainy season from the interior of the subdivision to the important jute centres. Besides the Local Board roads and country cart-tracks, there are the following District Board roads in this subdivision:—

Mymensingh-Dewanganj Road passing through Jamalpur. Jamalpur-Sarisabari Road, Jamalpur-Madarganj Road, Pakhimari-Sherpur Road, Pakhimari-Mahendraganj Road, Sherpur-Shambhuganj Road, Sherpur-Pearpur Road, and Sherpur-Dallu Road. Most of the roads are not maintained properly and have breaches not bridged making cart-traffic very difficult. Goods are carried over these roads by carts.

Pack ponies are also used for taking merchandise to hats.

Occupation of the people.—There are no organised industries in this subdivision. A few families of Islampur live on bell-metal industry, which had some reputation at one time but which is now practically dying. The workers are heavily indebted to their mahajans and have no enterprise.

In some villages weavers, locally known as Jugis or Jolas, do cloth and napkin weaving in addition to cultivation. They use imported or mill made yarn and cannot compete with mill made products and find their trades not profitable.

In some places in Madarganj Thana, Endi weaving is done on a small scale.

The population which depends entirely on fishing numbers almost five thousand.

The majority of the Muhammadan population catch fish for their own consumption. The Kaibartas, who are Hindus, catch fish for sale in the large rivers and bils. They have practically no land of their own and depend entirely on fishing.

It would be obvious that nearly the entire population is dependent directly or indirectly on agriculture.

Nature of the soil.—The villages on the two sides of the Bramhaputra and the villages on the eastern side of the river Jumna, and the beds of silted up rivers which are now under cultivation are of sandy soil while the rest have clayey soil. In spite of sandiness of the soil, the lands are generally fertile and paddy and jute thrive well.

The areas under cultivation of different crops are as follows:—

	Crops.	
Paddy—		Acres.
Aus	274,794
Aman	301,753
Boro	6,801
Wheat	683
Barley	1,631

Pulses—					Acres.
Kheehari	..	..	..	..	5,722
Mushuri	..	..	..	..	3,562
Mug	..	..	..	..	1,110
Gram	..	..	..	..	780
Other Food grain	..	..	..	..	12,005
Oil seeds—					
Linseed	..	..	..	..	711
Til	..	..	..	..	3,497
Mustard and rape seed	..	..	..	..	61,094
Others	..	..	..	..	154
Condiments and spices	..	..	..	..	2,836
Sugarcane	..	..	..	..	1,336
Others	..	..	..	..	268
Fibres—					
Hemp	..	..	..	..	3,703
Jute	..	..	..	..	93,646
Others	..	..	..	..	9
Tobacco	..	..	..	..	1,805
Fodder crop	..	..	..	..	14
Betel leaves	..	..	..	..	282
Ground products—					
Vegetables, etc.	..	..	..	..	7,839
Food crops—					
Potato	..	..	..	..	3,304
Others	..	..	..	..	194
Non-food crops	..	..	..	..	46
				Total	790,979

(Area twice cropped is 212,894 acres and the net area cropped is 578,085.)

Of the crops grown—					Acres.
Autumn crops cover an area of	..	..	..	..	353,694
Winter crop	..	..	..	..	284,344
Spring crop	..	..	..	..	142,063
Miscellaneous	..	..	..	..	10,878

Of the waste land, culturable area (including old and new fallow lands and lands occupied by bamboo clumps and thatching grass) is 67,015 acres and unculturable area (including homestead, tanks and dobas, rivers and streamlets, forests roads and pathways) is 142,107 acres. From the above it will appear that the principal crops grown in this subdivision are paddy and jute. Mustard and rape seeds come next. At one time Jamalpur was noted for mustard oil; but the cultivation of mustard seeds is being neglected. The cultivators generally do not now take seriously to growing of mustard seeds; after the reaping of paddy they had got to plough the land for the next crop of jute or paddy and they sometimes scatter mustard seeds in their plots and are satisfied with whatever quantity of the crop is thus obtained.

This subdivision as a whole gets a good harvest of aus and aman paddy, and jute.

The average annual rainfall of this subdivision is about 86 inches and the subdivision gets abundant rainfall during the months of May to September, which is favourable for growing jute.

Though paddy and jute are grown throughout the subdivision, thanas Sherpur, Nalitabari and Sribardi are noted for paddy, and Sarisabari and Nakhla are noted for jute.

Average yield of paddy per acre is 18 maunds, and average yield of jute per acre is 15 maunds.

Average cost of cultivation per acre of paddy is Rs. 20 and average cost of cultivation per acre of jute is Rs. 50 excluding the labour and ploughing done by the cultivators themselves.

Cultivation of jute is extending, partly because it fetches ready money which is required by cultivators for paying rents to the zamindars, for paying off debts and for purchasing commodities which are not grown on the land, and partly because price of jute rose very high during the War. The low price obtained in a particular year acts as no bar to subsequent cultivation of jute as the cultivators expect a sudden high rise in prices in the year of cultivation.

Economic condition of the people.—Owing to general fertility of the soil the cultivators generally get good crops and are much better off than their brethren of west Bengal. Total failure of crops is practically unknown. Their standard of living is comparatively high. They have got comparatively good houses to live in, huts having corrugated iron sheets as roofs and walls are not uncommon. They are comparatively well clothed; use of shirts, coats, shoes and umbrellas and warm wrappers is not uncommon. Many indulge in the luxury of having cycles and ponies. Boat racing on which much money is spent is a favourite pastime of the comparatively well-to-do cultivators.

The people generally, however, are improvident. After the harvesting of the crops they generally spend everything, if any thing be left after meeting the urgent demands of their money-lenders and zamindars and they are again in need of money from the months of Falgun or Chaitra for their cultivation and maintenance till the next crops. They spend money on litigation and social ceremonies and generally they have to borrow money on these occasions.

The purposes for which they have to borrow money are principally payment of arrear rent of zamindar, payment of old debts and interest thereon, and purchase of seeds, plough, cattle, agricultural implements and their own maintenance till the next crop. The worst feature of the borrowing business is that the cultivators do not borrow money to consolidate their own position when in distress or to improve their agriculture. They bestow no thoughts on the matter. They know that as they are in need they have got to borrow money leaving to fate the repayment of the money and its interest; and it often results in the bankruptcy of the cultivator.

Facilities of borrowing.—Before the starting of the Co-operative Central Banks and the organisation of the village co-operative societies and the starting of the loan companies, which are increasing every year, the people had to borrow money from the village mahajans who charged exorbitant rates of interest varying from Rs. 2 to Rs. 6½ per cent. per month. Besides paying the exorbitant rate of interest, the illiterate cultivators had much to lose in the hands of unscrupulous money-lenders. The money-lenders would purposely make no demand of payment of their interests or principals for sometime and would purposely let their dues accumulate; the unwary debtors, after some time when demand

was made (say after 3 years) would find their debt increased about three times and would have to execute fresh bonds for amounts three times their original debts. It was or still is not uncommon for their money-lenders to take dishonestly bonds for amounts much higher than amounts actually lent. In this way it was not uncommon that a man borrowing say Rs. 50 at one time had to lose ultimately properties worth Rs. 3 to Rs. 4 hundred. Even now in areas such as Nalitabari and Sribordi, where there are not many loan companies and where village co-operative societies are not much organised, these greedy money-lenders are plying merrily their dishonest trade among the illiterate aboriginal tribes, the Hajang and the Hodis and even the application of section 49F of the Bengal Tenancy Act restricting their transfer of properties is not sufficient protection for them, inasmuch as though a proper valuation of the properties may be ensured by application of section 49F of the Act, there can be no checking of the original amounts borrowed by the debtors for which their properties are sold.

There are four Co-operative Central Banks in this subdivision, namely, at Jamalpur, Madarganj, Sarisabari and Pingna. The village co-operative societies organised by them are doing good work so far as the financing of the cultivators are concerned. The rate of interest charged from the members is about 15½ per cent. per annum. The rate of interest is comparatively low. But the amounts of money lent to the members of the co-operative societies are much below the amounts actually wanted by the members. No doubt restricting of credit facilities is desirable to guard against the indiscriminate borrowing by the members as also to ensure the stability of the societies and thereby to ensure the stability of the Central Banks. But on the other hand, it is generally found that the members of the rural societies after borrowing as much money as they can from their societies also borrow money from loan companies or village mahajans at a rate of interest higher than that of the societies; and as a result their interest is first to repay the loans they take from the loan companies or the village mahajans. Moreover, the membership of the village co-operative societies being limited generally to 50 members, many people are left out of the societies who cannot avail themselves of the facility of borrowing from the village co-operative societies; besides, the number of village co-operative societies is comparatively very small. I think there is a great field for organisation of the village co-operative societies. The main difficulty in the organisation of these societies is want of education among the masses and the consequent want of their sense of responsibility.

There are about 175 loan companies in this subdivision, whose only business, though some of them may have names importing industry and commerce, is to lend money mainly to cultivators and also to other people. They usually charge interest varying from 1½ to 3 per cent. per month. Their coming to the field has lowered the rate of interest of the village money-lenders and has to a considerable extent narrowed the scope of their dishonest activities. The loan companies have thrived only on account of the immense fertility of the soil making it possible for the cultivators to pay up their interest as soon as it falls due. The ready availability of money for borrowing, made by the loan companies is a curse in disguise to the people. With the advent of the loan companies, the general indebtedness of the people has increased very much. The people being improvident, generally illiterate and having no thought for the future borrow as much money as they can.

Before the advent of the loan companies, they had not so much facility for borrowing and the high rate of interest of the mahajans was to some extent a deterrent. It is not uncommon for a cultivator to borrow money from two or more loan companies.

Already the overfinancing of the cultivators by the loan companies (I mean overborrowing by the cultivators) has begun to bear its inevitable baneful result. The exodus of people to Assam has increased in recent years; no doubt some go to Assam in a spirit of enterprise to find new field of work, but most go to Assam after becoming insolvent here.

In spite of the co-operative banks and village societies and the loan Offices, the village mahajans are still plying their trade in areas where there are not many village societies and loan offices. In areas where there are village co-operative societies and loan offices, the village money-lenders lend money to the cultivators who are generally not members of the co-operative societies and who have not much properties and therefore who are persons whom the loan companies do not grant loans.

The indebtedness of the people may be stated roughly as follows:—

			Lakhs.
To the loan companies	..	..	60
To the co-operative societies	..	..	15
To the village mahajans	..	..	25

Conclusion.—The economic condition of the people cannot improve without education. So long as the people do not understand that the only purpose of borrowing is for consolidation of their position, the only utility of borrowing lies in the production of wealth which covers not only the amount of money borrowed and the interest payable thereon but also leaves him a good margin of profit, the people cannot improve their position.

It is due solely to lack of education that he does not understand these things. It is due to lack of education that he is improvident and falls an easy prey to the dishonest mahajans and to the vicious habit of borrowing as much money as he can. It is due to lack of education that he does not understand his own position, that he spends money on unnecessary litigation and spends money beyond his means on social ceremonies and luxuries. It is due to lack of education that he is not enterprising and that he has not taken to improved method of intensive cultivation leading to more production and wealth.

The credit facilities to be given to the people in this subdivision are mainly for the agriculturists. The financing of just the amount of money which is really needed by a cultivator at a moderate rate of interest is a problem which is very difficult to solve specially because the cultivator is generally improvident and does not understand his position. I would advocate spread of education and with it a comprehensive scheme of organisation of village co-operative societies, embracing every village in its fold, which may check indiscriminate borrowing, promote thrift, foster mutual help in the disposal of products, lead to sympathy and brotherly feeling and tend to the general welfare and uplift of the members comprised in the network of rural societies.

III.—Minutes of Oral Evidence

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

August 23rd, 1929.

PRESENT:

MR. K. C. DE, C.I.E., I.C.S. (retired) *(Chairman)*.
 DR. J. C. SINHA.
 DR. N. N. LAW.
 KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.
 KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.
 MR. J. C. CHAUDHURI *(Secretary)*.

Mr. Jadunath Sarkar, Deputy Director of Agriculture, Western Circle, called and examined.

1. **Chairman:** We sent for you, Mr. Sarkar, to give us some idea about the condition of the agriculturists in Bengal—their financial condition and their facilities for getting finance.—I think on the whole their financial condition is not very satisfactory. My idea is that about 75 per cent. of them are indebted.

2. **Dr. Sinha:** Is there any estimate?—No.

3. **Khan Bahadur Azizul Haque:** I find from the evidence of the Director of Agriculture recorded before the Agricultural Commission that officers of the Department were to be employed in making an economic survey of the agriculturists. Has anything been done?—We have been collecting informations regarding all the districts through the District Agricultural Officers. Many of them have already submitted their report. It may, to some extent, be called an economic survey of the agriculturists. This survey is not yet complete.

4. **When is your report expected to be ready?**—I cannot say. One or two officers have not yet submitted their reports. The District Agricultural Officers have now given us some information on the point as a whole.

5. **Chairman:** We have got nothing to do with that. Have you got any idea of their condition—the extent of indebtedness of the agriculturists?—Yes, I can give you some idea. When you go to a village there is no room to sit in. There are one or two Panchayets who are solvent. Otherwise almost all are very poor.

6. **Dr. Law:** To whom are they indebted?—To mahajans specially.

7. **Khan Bahadur Azizul Haque:** In your Circle which is the most indebted part?—Part of the Khulna district towards the sea, i.e., the Sundarban side of the Khulna district, specially of the Satkhira subdivision, because the cultivators do not get crops every year

regularly. In some years they are affected by flood and in some years by drought. When affected by flood there is also ingress of saline water.

8. **Dr. Law:** Don't you include Bagerhat?—Satkhira specially; and portion of Bagerhat affected by breakage of bundh, is also included. I think the agriculturists of the Burdwan Division are not so poor.

9. **Khan Bahadur Azizul Haque:** In the Presidency Division which districts do you think rank high as regards indebtedness of the agriculturists?—Portions of Murshidabad, Jessore, Nadia and Khulna.

10. **Chairman:** You call it Bhairab-Nabaganga Basin?—Yes.

11. Bankura and Birbhum are the poorest districts, but they are not so indebted?—Because they are satisfied with very little. Their standard of living is very low. Bankura is the poorest. Birbhum cultivators are not so very poor. They are comparatively well-to-do. Of course, the Bauris and Santhals are very poor. The Bagdi class are a little better off than the Santhals. The Bauris and Santhals drink too much. Their indebtedness is at once a result and a cause of their drinking. They are unthrifty. If a man has enough rice for 6 months, a considerable portion of his income is spent in drinking. If they can get hold of an anna or something like that they at once run to the pachwai shop. They want to remain happy and forget their misery by drinking.

12. Have you got any idea why the Birbhum side is affected?—Droughts affect the crops. The crop prospects are absolutely uncertain due to weather conditions.

13. Is there any possibility of opening small irrigation societies?—If there is an organisation to push it on and if pecuniary help comes from some source, then it is possible. For instance, there are several small irrigation societies in Birbhum and Bankura. Of course, they are on a very small scale; but some of them are working satisfactorily to some extent. In many cases, however, pecuniary difficulties stand in the way.

14. **Khan Bahadur Azizul Haque:** Whose duty is it to develop irrigation societies?—At present it is Co-operative Department's work, I believe.

15. Say, for example, we want a small channel to be opened and a small quantity of water to be drained out, whose duty is it to have a survey of these?—As experienced up to this time, when such a channel is meant for the benefit of some villagers together, it is done by the Co-operative Department. The Inspectors of Co-operative Societies are generally the Supervising Officers.

16. Do you supply seeds to the Irrigation Societies?—It was Mr. Hart's (District Magistrate, Bankura) suggestion to supply some seeds to the Irrigation Societies. Unfortunately he died and no society took much interest in the matter thereafter and none of them came forward to take the seed timely, when it was stocked from the Chinsura Agricultural Farm. Thus the distribution was not at all satisfactory.

17. **Chairman:** Could you not write to the Registrar of the Co-operative Societies?—I saw the Collector personally. For peculiar weather conditions it was too late at that time. This year there was drought in the beginning and they expected to take the seed at the last moment; but just at the last moment the seed could not be properly distributed by the Societies among the cultivators.

18. **Khan Bahadur Azizul Haque:** At present there is no particular department responsible for making survey of the channels?—Our department has got nothing to do with it.

19. **Chairman:** There is also a want of co-operation between your department and Co-operative Department?—Of course we tried to act in close co-operation but the result has not been so far very satisfactory.

20. Have co-operative credit societies helped agriculturists?—Not as much as we expected.

21. Have co-operative credit societies assisted the cultivators? Do they save the cultivators from the Mahajans?—Not always. In the Burdwan Division the interest charged by the mahajans is not so high. Hence the people as a rule do not go to the co-operative societies like people in the East and North Bengal.

22. **Dr. Law:** What is the rate of interest there?—12 per cent. or 14 per cent.

23. **Khan Bahadur Hemayatuddin Ahmed:** If the co-operative rate is brought down to the same level?—(Dr. Law): It is somewhat lower than that of the mahajans, but the difference is not appreciable.

24. **Chairman:** The rate of interest in the co-operative societies is—Burdwan 12½ per cent., Birbhum 12½ per cent. to 14 per cent., Bankura 12½ per cent., Midnapore 12¼ per cent. Take the case of the Khelar Union cultivators. Are they benefited by the co-operative societies?—Yes, in some parts. I have some experience of the Pabna district. I was Deputy Director for all the three Circles for some time. In Pabna district some of the co-operative societies came to liquidation. I discussed the matter with some officers of the Co-operative Department and the District Agricultural Officer. They say, in granting loans to the people proper selection was not made. Among cultivators many did not get the help, because the rules are generally strict.

25. **Khan Bahadur Azizul Haque:** Co-operative societies stand on material security and not on moral security at present?—Yes.

26. **Dr. Law:** Do you think remedy can come from co-operative society, co-operative banks or elsewhere?—That is difficult for me to answer. But I think the co-operative societies can do much.

27. **Chairman:** But they have to do it on a much larger scale. We want more to be done than what we get at present. Co-operative Department could do a great deal more to make an appreciable effect in the country.

28. **Khan Bahadur Azizul Haque:** Within the last 10 years don't you think that the rental has increased?—I cannot say.

29. Speaking of the economic condition, have you any idea as to the agricultural output per acre on an average? That depends on the cultivators to some extent. They can make up for the infertility of the soil by manurial treatment. Generally the output has decreased.

30. **Dr. Law:** What about use of tractors?—These are not popular as yet.

31. Why is manure not used?—It requires money.

32. Don't you explain its utility to them?—Yes, we do propaganda work.

33. **Khan Bahadur Azizul Haque:** What do you do to let the people know how they could make the best production?—We hold meetings and exhibitions, arrange lectures and do actual demonstrations with various recommended crops, manures and implements on cultivators' lands. In the beginning we used to supply seeds free for demonstration and as a result they came to know that it was paying. Then we stopped free distribution.

34. Have you really tried for a sufficient number of years?—At least for 5 years we tried free distribution.

35. What amount of money was spent for this in each district?—I can't say exactly; but for each division we had Rs. 5,000 a year for some time.

Mr. Sarkar then gave a few concrete instances of how the people misused the seeds and manure supplied free and sometimes did not use them at all.

36. **Chairman:** What is the price of potato seed supplied by the department?—When the department used to supply seed-potato the price was about Rs. 10 per maund.

37. **Khan Bahadur Azizul Haque:** Are you doing anything except experimenting with jute, paddy and sugarcane?—Yes, except demonstrating with various crops we give advice regarding manures and tools, etc.

38. **Chairman:** We will go to Birbhum and we shall be glad if you will help us there. We shall also require the help of your Agricultural Officer there.—I will gladly render you all possible help.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

JAMALPUR.

September 30th, 1929.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*)

RAI BAHADUR SASADHAR GHOSH.

DR. N. N. LAW.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

Khan Sahib Syedur Rahman of Chandra, Jamalpur, and Mr. Mahim Chandra Deb Maulik, President, Bar Association, Jamalpur, called and examined.

39. **Chairman:** Would you tell us how you view the establishment of the numerous loan offices in your subdivision of late?—(Mr. Mahim Chandra Deb Maulik): Since 1925 there has been mushroom growth of loan offices in this subdivision, which causes some measure of apprehension. Out of 168 loan offices in the subdivision, there are 40 in the town proper, of which 38 are of new growth and have been established since 1925. As regards the rate of interest, there is no limit and the banks charge what they like in spite of the Usurious Loans Act. I find Rs. 4-11 per cent. per month in some cases, but the general rate is Rs. 3-2.

40. **Rai Bahadur Sasadhar Ghosh:** What is the rate charged by ordinary money-lenders?—Of course, they are now almost extinct. Their ordinary rate is also Rs. 3-2. In town loan offices Rs. 2 per cent. per mensem is the ordinary rate of interest. Rupees 3-2 is charged for sums less than Rs. 100, but in mortgage loans the usual rate is Rs. 2 to Rs. 3 up to Rs. 100, and beyond Rs. 100, from Re. 1-8 to Rs. 2. In loans of 10,000 the rate of interest is below Re. 1.

41. Is there facility of credit in loan offices and do the people generally take more loans than their borrowing capacity would warrant?—As money is easily available unscrupulous agriculturists very often take loans exceeding their borrowing capacity.

42. Do they borrow more than they ought to?—Yes, this facility is not to their good but to their ruin.

43. **Dr. Law:** Do they apply to town loan offices or mofussil loan offices?—In mofussil the rate of interest is exorbitant.

44. What is your experience of this subdivision?—I have got experience of this subdivision for 35 years.

45. 35 years ago, instead of bonds kobalas were executed by the debtors?—I do not remember any concrete cases.

46. **Chairman:** There was a Patti system 25 years ago. Was it not more exorbitant?—The system is not now in vogue. The Patti system and Kobalas with a clause of reconveyance and also writing a bigger

sum while lending a smaller sum—these have been supplanted by the loan offices.

47. Have you got any personal knowledge of any cases of dishonesty on the part of the loan offices?—There are individual cases of dishonesty, but this is not the general rule. One case was brought to my notice in which the rate of interest charged was greater than what was originally contracted and repayment was refused for a few days, but for this period interest was charged and was actually realised. This took place in one loan office 3 or 4 months ago. There are also instances in which the loan office clerk demanded perquisites before returning the bond after full repayment. A perquisite equivalent to the stamp duty is also charged when the bank clerk writes up the bond. Some cases have been brought to my notice in which the Secretary of the bank also took illegal gratification.

48. Is it the usual practice of the loan offices?—This is not the usual practice, but an individual case of dishonesty and it is usually due to lack of supervision.

49. Is it an act of dishonesty or a general custom of the country?—So far as loan offices are concerned, these practices are not resorted to within the knowledge, or with tacit consent, of the directors.

50. **Rai Bahadur Sasadhar Chosh:** Then your complaint is not against the loan offices but against the directors?—Yes. My next complaint is against the deposits. The deposits are sometimes more than the means of the loan offices. They sometimes exceed by many times the paid-up assets of the company and the reserve fund together.

51. **Chairman:** All over the world the amount of deposit money is unlimited. The amount of deposit has never been regulated by any law. Do they have sufficient liquid security?—This is not within my knowledge. I cannot cite any instances that there was failure on the part of the loan offices to repay the loan.

52. **Dr. Law:** Are there deposits without notice?—Only in the cases of special current deposit.

53. **Chairman:** What is special current deposit?—The deposit which is not according to the articles of association of the company, but according to some other arrangements. In this case not only the rate of interest is higher but they are of short duration and there are some special terms.

54. What is meant by special deposit?—There is special arrangement for money payment, rate of interest and so on.

55. Are there *bishesh asthayi amanat* (বিশেষ অস্থায়ী আমানত) such as are found in Bogra?—No, there are no such deposits. Repayment is always made by serving notice. As regards taking of deposits, my suggestion is that something like security, as is in vogue in life insurance offices, should be taken. Credit depends upon the personnel of the bank. I take exception to the members of the legal profession and the Government servants coming upon the directorate, because they domineer over the will of the depositors as well as the debtors.

56. **Dr. Law:** It is domineering or persuasion?—It is more in the nature of persuasion.

57. **Chairman:** In the Government Servants' Conduct Rules it is laid down that no Government servant can act as a director.—There is one such here—Bisweswar Bani—a copyist.

58. Why do you say against the legal profession; is it not against the intelligentsia generally?—No, specially against the members of the legal profession.

59. Say, about the money-lenders—are they influenced by the members of the legal profession?—Yes, in most cases.

60. **Rai Bahadur Sasadhar Chosh:** Where can they pay their deposit?—In the co-operative bank, joint-stock bank and the Imperial Bank. So far as the Imperial Bank is concerned, very few people go there. The co-operative and Imperial Banks are safer places to deposit money.

61. What about the joint-stock banks, are they not safe places?—These are only so many loan offices in the garb of peculiar names.

62. Have you made any deposit in the Imperial Bank?—No.

63. Have you made any deposit in the loan office?—Yes.

64. Have you got confidence in the loan office?—Yes.

65. Were you influenced by someone to deposit in the loan office?—No.

66. Who are the classes of people that are likely to be influenced?—They are the money-lending classes. My point is that there should be certain limit of deposits with reference to the paid-up capital and reserve fund and that there should be securities similar to those taken in the case of life insurance offices, so that there may not be abuse and so that there may be sufficient guarantee in case of liquidation or collapse.

67. Do you think that these should apply in the case of joint-stock banks and the Imperial Bank?—Well, we are so far in the dark about the Imperial Bank; my suggestion is about the loan offices. There should be two classes of loan offices—ordinary and special—special should be those who gave security to the Government with a view to protect the interests of the shareholders and depositors; in the cases of ordinary loan offices there should be a limit of taking deposit and that should be with reference to the paid-up capital and reserve fund of the society.

68. Have you got any knowledge of the co-operative societies? Do you think they are doing good service for the good of the country?—Well, I am doubtful about that.

69. What should be the nature of liability?—The liability should be joint up to certain extent for each.

70. Do the rural societies get money easily?—Not so easily as the loan offices.

71. What are the abuses of co-operative banks?—I have no personal knowledge of any abuse in the co-operative societies.

72. Don't you think the Chairman, Secretary and Panchayats of the rural societies are generally the leading men of the villages?—They may or may not be the leading men of the villages but they are literate.

73. You told us that there are many mushroom societies but are they not to the advantage of the people?—The result of so many loan offices is that unscrupulous people borrow money from various loan offices at the same time.

74. Are the middle classes benefited by these loan offices?—To some extent.

75. Do you think that they borrow money without being in want?—Very seldom.

76. Do these loan offices help small industries?—No, not within my knowledge. In my opinion there should be another remedial measure as regards the system of election of directorate of the loan offices. This should be by personal voting as in the Central Co-operative Bank and not by proxy.

To this Dr. Law pointed out that in such cases the company may be dominated by a small clique and that it would be very expensive for the voters to come from the mofussil.

77. Are you connected with any loan office?—Yes, I am a Director of the Milandaha Loan Office.

78. Are the abuses mentioned by you prevalent in your loan office?—I am not confident. I don't think my office staff are very honest people.

79. Have you deposited money in it?—Yes.

80. Are you the mainspring there?—No, but I lent my support, otherwise it could not have been started.

81. Have you induced people to make deposit?—Yes, even now I induce people to make deposit.

82. Do you influence or persuade?—I persuade. Unless some influential people join the directorate there would be no deposit by the outsider.

83. Can you give any instances in your loan offices where a cultivator has taken loan unnecessarily?—Yes, there was one criminal case in which a man altered his name in one loan office and took money from that office and again by a false name took away from a different office.

84. **Dr. Law:** Do you think that you would be able to remove these abuses?—Well, I am tired of the loan office in general. I do not think it is worth my while to be on the directorate.

85. Will you withdraw your deposits from your loan office?—I am trying to take out my money. I have deposited some money in the Central Bank after withdrawing the same from the loan offices because I found there was lack of safety.

86. **Chairman:** But you are not getting the same rate of interest?—I am depositing at less interest. It is only for the sake of security and security alone.

87. Are there no malpractices besides those referred to above (to Khan Sahib Syedur Rahman)?—(Khan Sahib Syedur Rahman): The directors also charge illegal gratification for going out to make enquiry and for making false reports.

88. **Dr. Law:** Are these within your knowledge?—Yes, there are one or two cases within my knowledge.

(Babu Mahim Chandra Deb Maulik): I have got another complaint against these loan offices and that is with regard to the remuneration charged by the directors of the bank. My point is that there should be some limit and my suggestion is that it should not be more than 10 per cent. At a general meeting a certain sum is allowed to the directors and the managing director; my suggestion is that there should be some restraint upon the distribution of bonuses to directors which is ordinarily given in general meeting. Reserve fund of loan offices should be kept separate from the working capital in all cases preferably by investment elsewhere.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

JALPAIGURI.

October 30th, 1929.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. Joges Chandra Ghose, Vice-Chairman, Indian Tea Planters' Association, Jalpaiguri, and Mr. A. F. Rahman, M.L.C., a leading tea planter of the district, called and examined.

89. **Dr. Sinha:** Will you give us some idea about the tea industry in Jalpaiguri?—(Mr. Ghose) The tea industry in Jalpaiguri was started in 1878-79. The first garden started was Mogalkata Tea Estate of the Jalpaiguri Tea Co., Ltd. European gardens were first started probably within 5 years prior to that time. There are about 60 or 65 Indian tea concerns, with offices located at Jalpaiguri and having their gardens mostly in the Duars and Terai and with a few in Assam. In the Duars they number 45.

90. **Khan Bahadur Azizul Haque:** What is the number of European concerns?—About 102 or 103 in the Duars. As regards Terai, I do not know.

91. Which are the regions in Bengal where the tea is grown?—(Mr. Rahman) Roughly, the areas 25 miles south of the Himalayan mountains.

92. What is Northern India Tea?—(Mr. Ghosh) Northern India tea means Darjeeling tea, Terai tea, Duars tea and Assam tea.

93. What proportion does each kind bear to the total production?—(Mr. Rahman) Darjeeling produces less than a quarter, Terai about one-third and the Duars more than half.

94. What is the acreage in these places?—(Mr. Ghosh) I cannot give you the acreage. Indian Tea Association and J. Thomas & Co. of 8, Mission Row, Calcutta, will be able to supply this information.

95. How are these European managed gardens financed?—As regards financing of European concerns, we are not in a position to say anything. So far as our idea goes, many of them are financed by home people, specially the sterling companies and managing agents make all arrangements for finance and other things. Sometimes they have preference shares and sometimes they issue debentures. European rupee companies of Bengal are generally financed by European financiers and European Banks of Calcutta.

96. **Dr. Sinha:** Are these debentures sold in the Calcutta share market?—Sometimes. (Mr. Rahman) So far as European concern are concerned, Andrew Yue & Co. and some other such companies e.g., Duncan Bros., James Finlay & Co., William Magor & Co.

Octavius Steel & Co., Balmer Lawrie & Co., Macneil & Co., McLeod & Co., have developed the trade. They control the tea trade of the Northern India. I use the words "tea trade" because they control us also. The Indian Tea Association is practically in their hands and the Indian Tea Association is always in touch with the London Tea Association. Practically 95 per cent. are controlled by Europeans and 5 per cent. by Indians. Therefore, they control the entire tea market. It is only now that we are just thinking of the market. Up till now we were only concerned with production of tea.

97. **Khan Bahadur Azizul Haque:** How are new gardens started?—(Mr. Ghosh) Previously, to have a garden started we first used to examine the soil, select the area and then form a company and then apply for the land for the garden either by the company or by the promoters of the proposed company. The system was to apply with an 8-anna court-fee stamp for settlement of Government Khas lands in Duars and to pay Re. 1 per acre for the survey expenses.

98. Land belongs to Government?—Yes, but later on, by the time the Debpara garden was started, that is, probably in 1910, practically all the Khas lands were exhausted and we had to purchase good jote lands and then to have them converted into tea lands. (Mr. Rahman) Government used to keep the monopoly in the hands of the Europeans. You can do everything in your jote, but you cannot cultivate more than 200 acres of tea in a jote land and the clubbing of two jotes is prohibited. In cases of clubbing or amalgamation you have to obtain permission of Government.

99. Is there also a survey fee?—Yes, cost price of jote land is now Rs. 50 to Rs. 200 per acre. In addition, a survey fee of Re. 1 per acre has to be paid. The share capital has got to be increased now-a-days because the money for the purchase of the land must come from the pockets of the shareholders. (Mr. Ghosh) Mogalkata Tea Estate is 50 years old. With a capital of Rs. 50,000 only, they succeeded in opening out over 600 acres of tea, whereas now-a-days Rs. 1,500 to Rs. 2,000 per acre will be required for merely opening out such an area and to maintain the same for a few years and make it self-supporting. The price of labour has gone up and the recruiting charge is also abnormally high now-a-days. Formerly, it was Rs. 2 to Rs. 3 per head; it is Rs. 50 to Rs. 60 now-a-days.

100. What is the minimum size of an ordinary garden?—(Mr. Rahman) It is no use having one of less than 500 acres in area. To make it self-supporting you will require about 7½ lakhs of rupees, including the cost of machinery but not including the cost of land.

101. Of this 7½ lakhs, how much would go to make current expenditure during seven years and now much for purchase of machinery?—For machinery, roughly a lakh.

102. Every garden here has got its own factory?—(Mr. Ghose) Yes, they are self-contained.

103. Who determines quality and price of tea?—As regards valuation there is practically no manipulation. There cannot be any because the tea is tested by the brokers as well as by the buyers. Manipulation may start between the broker and the buyer. In India there is practically no such thing as selling to the buyer or consumer direct except only in a very few instances of small gardens in Darjeeling side. We send tea to the broker, who sells it on the tea

sale auction market to the buyers. There are Indian and European buyers. The tea is sent to the Kidderpore Dock. Sample is taken out from each individual chest and then these are sent to the broker's house. They send samples in small packets to different buying firms. Names (orange pekoe, etc.) are given by us, but there is a standard for each variety.

104. **Dr. Sinha:** You get additional finance by way of admission fee?—Yes; now-a-days, but not previously. Sometimes we also borrow from the shareholders. Sometimes we have to guarantee for the finances and sometimes we have to borrow in our own names.

105. When it is borrowed in the name of a company, is the whole property mortgaged?—Generally. But I speak of hand notes. Sometimes we have to stand as additional guarantor. If anything falls short we shall have to make it up, even if it is mortgaged. In these cases, if we have not got good banks behind us, we have to borrow money at a high rate of interest.

106. What is the usual rate of interest?—Generally 9 per cent. sometimes we have to go up to 25 per cent.

107. Is it a fact that the Imperial Bank refused to accommodate even on the guarantee of the Jalpaiguri Banking and Trading Corporation?—(Mr. Rahman) I do not know. But the general report is to that effect.

108. **Khan Bahadur Azizul Haque:** For the present, Imperial Bank is the only Bank which finances your running expenses on hypothecation of crop system?—(Mr. Ghose) Yes, but only to few old concerns and that also on the guarantee of the brokers. But the managing agents of some concerns arrange finances from other Banks and other financiers.

109. The guarantor does not charge anything for the guarantee?—No, but the percentage of these concerns receiving finances from Imperial Bank is very very small.

110. How can Indian tea industry be helped as regards finances?—Indian owned tea gardens may be much helped to develop and widen and prosper if those private banks which help these gardens with finances are helped by the Imperial Bank.

111. **Chairman:** How is that possible?—It is possible in the following way:—The local banks and loan offices advance finances to the gardens on mortgage of the garden and hypothecation of crops. If the Imperial Bank can be made to agree to finance local banks or loan offices on the security by assignment of those mortgaged deeds, say up to 90 per cent. or even to 80 per cent. of the secured amount of the loan, with additional guarantee by the said local bank for due repayment, in that case, of course, the Imperial Bank has to run no risk for the advances but these local banks and loan offices obtain great facility to help and finance more and more gardens thereby. Of course, in such a case the Imperial Bank must make due enquiries about the sufficiency and soundness of the security and may advance only when it is fully satisfied about the same.

112. But probably the Imperial Bank is not allowed under the law to do this sort of business?—Due enquiries may be made about the same and if the present enactment does not cover this, Government may be approached for amending the enactment.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

JALPAIGURI.

October 31st, 1929.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. Jai Gobinda Guha, Chairman, District Board, Jalpaiguri, and late Manager, Jalpaiguri Banking and Trading Corporation, called and examined.

113. In reply to the questions put by the Chairman and members present, the witness stated as follows:—

I am not at present connected with any banking corporation, but I was the Managing Director of the Jalpaiguri Banking and Trading Corporation for several years. I am a Director in some of the tea concerns. I know something about financing tea gardens. Generally people get loans from the banks and sometimes from private persons and other firms of Calcutta. For block debts mortgage is taken by the Jalpaiguri Banking and Trading Corporation and other loan offices and financiers. In some cases, running expense is met from loans taken on mortgage and in some cases by the hypothecation of crops. As Managing Agents, Messrs. Martin & Co. used to take a commission of $1\frac{1}{2}$ per cent. of the gross sale. Now they take 1 per cent. more, i.e., the charge has now been raised to $2\frac{1}{2}$ per cent. Loans are given on the mortgage of gardens at 8 per cent. for block debts, sometimes more, while for running expenses at 1 per cent. above the bank rate. All tea produced in the gardens which are financed by Messrs. Martin & Co. is sold through them. They do not insist that all the tea garden supplies should be purchased through them, but some other financiers who are also managing agents do it. By selling through Martin & Co., we derive no benefit as regards obtaining better prices and so on. Only we get financial help from them. Our crops are hypothecated to Martin & Co. If machinery, etc., or tea stores are purchased through them, they are purchased at bazar rates. The average size of a tea garden is 600 to 700 acres. It should not be below 450 to 500 acres. Of the capital expenditure of a tea garden the main item now-a-days is cost of land. For that we require about one lakh of rupees or more. The bulk of the capital expenditure has to be incurred during the first three years without any return. It is necessary to spend six to seven lakhs in five or six years. About three to four lakhs are raised by share capital. Advance is also now being taken from the shareholders in one company. In such cases, we may not require money from outside. Even if we go to a bank for money, we do so for a comparatively small amount. Borrowing from private

money-lenders is comparatively small and loans are available from them at 9 per cent. and sometimes more on the mortgage of the garden. Sometimes loans are taken on the personal liability of the directors. Those tea gardens which have not good reputation do not agree to pay such a high rate of interest as 24 per cent. If anyone has said so, I think it is overstatement. Most of the loans are taken from the Jalpaiguri Banking and Trading Corporation, who charge 9 per cent. for block debts and 8 per cent. for debts for running expenses. They might have raised it now, but I do not know. Some gardens meet their current requirements by keeping a good reserve fund in fixed deposits and drawing against that when necessary. They have, therefore, not to hypothecate their crops. It takes about 10 days for the money to come from Calcutta after sale; but collection of money against railway receipt has not been tried in Calcutta. There is a disadvantage in the hypothecation of crop to a broker because in that case you cannot have the sales effected through any broker you choose, but you must stick to a particular broker and abide by his valuation. If the share capital is raised dividend will be less. In Jalpaiguri, there are about 30 Indian gardens. Of these, only two or three are financed from their reserve funds. The Imperial Bank of India never give loans for block debts; they give loans only for running expenses on the guarantee of a broker. If there is no such guarantee, ordinarily they do not give loans. I am not aware of any attempt to obtain loans from any Calcutta banks other than the Imperial Bank. During the last four or five years none of the gardens failed. I have no idea of the financing of European managed gardens such as those of Davenport Bros. We engage labour on contract rates. There are different standards for different works. Good labourers earn about Rs. 30 per month. During the plucking season they earn Rs. 1-4 or Rs. 1-8 a day over and above their regular wages. Labourers are recruited from Ranchi and other places of Chota Nagpur Division. The charge of recruitment is about Rs. 30 to Rs. 40 per head.

The Imperial Bank of India does not give advances except on the guarantee of a broker. They probably charge the current bank rate of interest for such advances. Only Baikunthapur Tea Company's garden was sold to the mortgagee and they have afterwards opened another garden reducing the share value of the then shareholders.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

NAOGAON (Rajshahi.)

November 3rd, 1929.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*)

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. Kunjalal Basak, B.L., Managing Director, Naogaon Islamia Bank, Ltd., called and examined.

114. **Dr. Sinha:** Mr. Basak, you are the Managing Director of Naogaon Islamia Bank, Ltd.?—Yes.

115. When was the Bank started?—It was started in 1919 as a private limited company. In 1927, it was converted into a public limited company.

116. How long have you been connected with this institution as Managing Director?—For more than two years. I was also the Manager of Naogaon Union Bank, Ltd., for 10 years.

117. What is the total amount of (a) authorised and (b) paid-up capital of your Bank?—The authorised capital is Rs. 50,000 and the paid-up capital Rs. 8,000.

118. What is the total amount of deposit?—We have secured a deposit of one lakh of rupees within two years.

119. Have you built up any reserve fund? If so, what is the amount and how is it invested?—Yes, about Rs. 6,000. It has now been deposited in the Co-operative Ganja Mahal Bank, Naogaon.

120. Have you declared any dividend?—No, we do not intend to declare any dividend till we have built up a substantial reserve fund.

121. To what class of people does the bank lend?—Mainly to agriculturists, to whom about 80 per cent. of the loans are advanced.

122. On what security do you lend to the agriculturists?—On mortgage of land, simple bonds and promissory notes.

123. What are the purposes for which such loans are taken by them?—For the purchase of food, cattle and land and for the performance of social ceremonies. The purchase of land and cattle is the main object for which loans are generally taken.

124. Do you lend to zamindars?—Very rarely.

125. Do you lend to traders and business men? If so, on what securities?—Yes, mainly on promissory notes.

126. Do you lend to any other class of persons?—Yes, we grant loans to our depositors to the extent of three-fourth of their fixed deposits.

127. What are the rates of interest charged by the bank from its borrowers?—From 14 annas per cent. per month to Rs. 3-2 per cent. per month according to the amount lent. The higher the amount lent, the lower is the rate of interest.

128. For what periods are the loans generally given?—There is no fixed period. But money lent on promissory notes is generally realised within three years. In the case of loans against mortgage, the period does not generally exceed six years.

129. Do you enquire into the object for which loans are taken?—Yes, but it is not possible to ascertain whether the money is actually spent for the object for which it has been borrowed.

130. What are the different classes of deposits in your bank? And what rates of interest are given on them?—We have the following classes of deposits with the rates of interest noted against each:—

Deposit.	Rate of interest per cent. per month.
	As.
(1) 5 years'	12
(2) 3 years'	11
(3) 2 years'	10
(4) 1 year's	9
(5) 6 months'	6
(6) Current deposit	5

Do you issue cheques?—No, we do not. But the Naogaon Loan Office and the Town Bank, Naogaon, issue cheques.

132. Have you any suggestions to improve the position of loan offices?—Yes, I wish to make the following suggestions:—

- (1) A certain percentage of the net profits must be kept separate as a reserve fund, and that should be invested in Government securities or kept in the Imperial Bank or in the Bengal Provincial Co-operative Bank.
- (2) Persons who serve as Directors must have either substantial fixed deposits in the bank or they must give securities.
- (3) Deposits should be limited to a definite percentage of the paid-up capital and the reserve fund.
- (4) Audit of such banks should be entrusted to a special class of Government servants. At present, even certified auditors do not always hesitate to certify inaccurate balance sheets lest they should not be re-appointed. There should also be periodical audit throughout the year. There should be legislation to give effect to the above suggestions.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

November 8th, 1929.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

RAI BAHADUR SASADHAR GHOSH.

MR. J. C. CHAUDHURI (*Secretary*).

(1) Mr. Agniswar Roy, Managing Director, Bengal United Bank, Ltd., and Director, etc., of 40 other banks, (2) Mr. Surendra Nath Shom, B.L., Managing Director, Savings and Industrial Bank and Director of seven other banks, (3) Mr. Akshoy Krishna Bose, M.A., B.L., Managing Director, Union Bank Co., and Jamalpur City Bank and Director of 11 or 12 banks and (4) Mr. Narendra Narayan Neogi, Managing Director, Jamalpur Bank, Ltd., and connected with several other banks, called and examined jointly.

133. **Chairman:** How many loan offices and joint-stock banks are there in the Jamalpur subdivision?—(Mr. Agniswar Roy): About 180 or 182.

134. Of these, how many have been created since 1925?—About 20 existed before 1925. The majority of these loan offices are of very recent growth.

135. What is the cause of this recent growth?—Some 25 years ago when I came to this subdivision I found that there was only one loan office (The Mymensingh Loan Office, Ltd.) and the rest of the money lending business was in the hands of the *Shahas*, *Marwaris*, *Telis* and other money-lending classes. The rate of interest then charged by these money-lenders was very exorbitant, ranging from one anna to four annas per rupee per month compounded after every third month. There was also interest in kind such as *dhartā* and *pattī*. The amount of loan also was exaggerated in the bonds taken, for example, for a loan of Rs. 300 a bond of Rs. 400 was taken. There was also the system of out and out sale with a tacit understanding that if the money was repaid by a certain date the property would be reconveyed. No receipts for repayments were given and there were many complaints that repayments were not duly credited. When loan was taken in kind the rate was 50 per cent. for three or four months or until the next harvest. We decided to make an effort to remove these abuses. As we found that none of us individually had sufficient funds we established joint-stock loan offices. Surendra Babu and his friends formed the Singhjani Loan Office and then I organised the Jamalpur Loan Office. Both these ventures proved successful and we captured a portion of the mahajans' business. Then I organised about 20 more loan offices in important centres in the interior of the subdivision. They all proved successful. The working of these institutions proved very efficacious to the agriculturists as the rate of interest was considerably reduced and there was no complaint about the non-credit of repayments. Interest

was also taken in advance so that the loan was never allowed to attain cumbrous proportions. These institutions did not covet the agriculturists' lands and allowed them to repay the principal by any instalments, however small, at any time convenient to them and thus gradually the bulk of the mahajans' business came into our hands. The total number of suits instituted on bonds has been reduced to a half. The loan offices are sometimes compelled to purchase the mortgaged agricultural holdings in the execution of a decree, but they dispose of them almost immediately and no loan office in the subdivision at any time holds more than a few bighas of land. When compelled to purchase the land, they dispose of it immediately to the original holder or some of his relations and almost always reconvey to agriculturists.

Ninety-five per cent. of the loans are given to the agriculturists. There are no industrial enterprises in the subdivisions, and we do not finance any. We finance trade to a very small extent. We finance the jute trade in jute centres like Sarisabari by advancing money against goods. We also purchased in Dewanganj a number of sugar-crushing machines, which we have been able to lend to the cane cultivators at a considerably lower rate than that charged by Messrs. Renwick & Co.

136. Do you do any other kind of business?—For the encouragement of indigenous business in paddy we started giving loans from the Naltabari and Bongaon banks for the purchase of paddy on the security of the grains deposited in our godowns but this is yet on a small scale.

137. What is the nature of deposits that you may accept?—We accept fixed deposits, subject to repayment on previous notice being given, for one year to six years. For short term deposits the rates of interest vary from 6 to 7½ per cent. and for the longest term from 9 to 12 per cent. There are also deposits taken for special purposes on special conditions and with special rates of interest.

138. Do you keep any reserve fund?—We began by creating a reserve fund with 25 per cent. of the net profits but as profits increased we kept up the reserve fund by contributions up to about 50 per cent. of the profits. In most of the loan offices the reserve fund has exceeded the paid-up share capital except in those which are of very recent growth; for instance, in the Jamalpur Loan Office the reserve fund amounts to Rs. 53,000 against the paid-up share capital of Rs. 10,000 and an authorised share capital of Rs. 30,000.

139. Is the reserve fund separately invested?—The reserve fund is not separately invested as such but all the banks have placed considerable amounts in deposit with other banks or have purchased Government securities out of their general funds which may be considered to be separate investment of at least a part of the reserve fund.

140. Is there always sufficient cash in hand in your bank?—We take special care to see that the banks have sufficient funds at their disposal to meet the demands for repayment of deposits. We do not take current deposits and so have no need to keep any money for payment of cheques.

We have formed a federation of these banks called the Bengal United Bank, Ltd., to which 52 separate banks have been affiliated. Its functions are to finance the constituent banks from time to time whenever money is urgently needed by them and to give comparatively large loans for short terms to approved individual clients.

141. What are the different kinds of loans you give? Do you give loans on hand notes?—The loan offices give loans on hand notes without any security, and also on promissory notes bearing a guarantee and on hundis with or without the guarantee of a third person, on simple bonds with or without surety, on mortgage of immovable property and on pledge of jewellery. Loans are never granted on hypothecation of crops except in the cases mentioned previously.

142. Do you grant loans against Government papers and other securities?—No work is done on the granting of loan on the security of Government or other marketable security as no such security is deposited with any of the banks.

143. Does the rate of interest vary according to the purpose of the loan that is given?—The rate of interest charged by the banks depends primarily on the amount of loan taken and secondarily on the state of the banks' finances. Sometimes for specially approved purposes the rates are reduced. The rate of interest varies from $37\frac{1}{2}$ per cent. on small loans, say, up to Rs. 25 to $10\frac{1}{2}$ per cent. on larger loans.

144. Is compound interest taken?—Compound interest is never charged. Interest is usually payable monthly, bi-monthly or quarterly. The Director of the bank always sedulously desires the payment of interest at punctual interval and therefore encourages as far as they can the payment of interest in advance. Interest due from one to three months according to the wish of the debtor is recovered at the time when the loan is first taken. In the bonds the rate of interest shown is that which has been determined for loan together with a penal rate of Re. 1-9 per cent. per month, but there is always a condition in the bond that if the interest is regularly and punctually paid the penal interest will never be levied. Even in case of default the whole of the penal interest is seldom recovered but just enough to impress the necessity of punctuality on the debtor. As a result of this procedure the clients of our banks have got into the habit of paying the interest regularly.

145. Has there been any bank failure in your subdivision?—There has been no failure of any bank in our subdivision.

146. Is it possible to combine the 182 loan offices in your subdivision?—At present it is not possible.

147. Do you think if they could combine, their position would be much stronger and they would be able to gain greater confidence of the people?—Certainly, we approve of the proposal of all the existing banks in the subdivision being federated into a central banking institution like the Bengal United Bank, Ltd.

148. Do you know if any banks in your subdivision have become affiliated to the Bengal Bankers' Federation in Calcutta?—No bank in our subdivision has been affiliated to the Bengal Bankers' Federation.

149. What is the method of accounting and preparation of balance sheet?—The system of accounting and preparation of balance sheet is uniform in all the banks in the subdivision.

150. Are the accountants trained?—Accountants are usually trained men who have served apprenticeship in other banks.

One of the directors who is denominated as the Inspecting Director, or a shareholder who is denominated as the Inspector, is entrusted with

the charge of auditing the accounts and he does this almost daily. Besides this internal audit, our accounts are regularly audited as required by law by a certified auditor.

151. What are the rates of dividend paid?—The rates of dividend vary from 20 to 100 per cent.

152. Have the loan offices got their own buildings?—Some have.

153. What have you got to say as regards some alleged abuses in the loan offices?—(a) No case has ever been brought to our notice in which the loan office clerk demanded a perquisite before returning the bond after full payment; (b) a fee is always charged by the writer of the bond and he may sometimes be the bank clerk; (c) no case has been brought to our notice that the secretary of the bank took any illegal gratification; and (d) no undue influence is exercised, to the best of our knowledge, by the directors of the banks for the purpose of obtaining the deposits.

154. What remunerations do the directors get?—The total remuneration of the directors does not ordinarily exceed 20 per cent. of the net profits and is distributed by the shareholders at a general meeting. When loan is given to an agriculturist, enquiries are made by the bank not only in respect of the property and asset, but also in respect of the purposes for which loan is asked for. But when loan is once given no further enquiry is made to ascertain whether it is spent on the purpose specified. But as a rule, however, when it is not so spent the matter is brought to the notice of the bank by the co-villagers.

155. What has been the effect of the establishment of these loan offices?—The loan offices have succeeded in reducing the volume of loans given by mahajans and also considerably the rate of interest charged by them.

156. Have you any experience of the co-operative credit societies?—We are acquainted with the working of the co-operative credit societies. We have found that these societies are not very popular on account of these three reasons:—

- (a) Joint liability which has to be incurred with solvent as well as insolvent villagers.
- (b) That the co-operative societies are unable to meet all the necessary demands of all its members.
- (c) That loans are not obtainable very readily owing to the system of financing of rural societies by central banks.

When a man is well off and in quite solvent circumstances he fights shy of joining the co-operative society. He prefers to come to a loan office or any temporary loans he may require.

157. What do you think of the proposal that has been made that there should be no bar, legal or otherwise, to free interlending between co-operative banks and loan offices?—We cordially recommend it.

158. What are your views as regards financing of small industries?—Small industries in our subdivision are very few and all are in a decaying condition owing principally to foreign competition. Without Government support and protection we do not consider that any small industry can prosper in our country. We know examples of hosiery factories in Mymensingh and Pabna which have failed because they

could not compete against cheaper foreign goods. There are two industries in our subdivision—the manufacture of kansa (bell-metal) utensils and the manufacture of endi silk. Both of these are now in a very decadent condition. They are likely to die out unless Government comes to their assistance.

159. Have you any suggestions to make?—We desire to recommend that the following measures be undertaken in order to assist the loan offices:—

- (1) That on loans given to agriculturists the stamp duty on the bonds and the registration fee may be remitted.
- (2) That in case of agricultural loans the dues to a loan office may be declared to be the second charge, i.e., immediately after revenue or rent on the holding of the agriculturists.
- (3) That Government may assist the loan offices in obtaining finance either directly or indirectly. In such a case, the loan offices will gladly render themselves subject to audit and inspection by Government, but they would not like any interference in the management and control of their offices.

We consider that it will conduce to much better working of the loan offices if each office is restricted in its jurisdiction to a particular area so far as loans to agriculturists are concerned in the same way as rural co-operative societies.

The salary given to the staff of these loan offices is not at all uniform. It would be much better for the officers if these salaries were fixed according to scale based on the working capital.

We very strongly recommend that a portion at least of the nation's money should be entrusted by Government to the loan office at a low rate of interest. If this is done we can considerably reduce the rate of our interest on agricultural loans. Central co-operative banks may also be similarly entrusted. The treasury work and the treasury balance may be entrusted either to a co-operative central bank or an approved loan office.

160. **Rai Bahadur Sasadhar Ghosh:** (To Babu Agniswar Roy.) Are you connected with any jute concern? If so, would you please tell us what is the distinction between Indian packing and European packing?—I am connected with a jute concern. I understand what is native packing and European packing. A European packing always fetches higher price, though there is no difference of quality in the packing. Marwaris on this account are engaging European managers nominated by the European broking firms. This facilitates their sales but still they do not get the same price.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

November 9th, 1929.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

RAI BAHADUR SASADHAR GHOSE.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. Dinesh Chandra Guha, B.L., Chairman, Mymensingh Urban Co-operative Bank, Ltd., Managing Director, Nasirabad Loan Office, Director, Central Co-operative Bank, called and examined.

161. **Chairman:** Will you please go through the evidence given by Mr. Agniswar Roy and three other gentlemen and tell us if you agree with them?—I agree with most of what they stated but I beg to differ from them regarding certain matters.

162. What are these, please?—Firstly, as regards the “Reserve Fund”—My suggestion is that the reserve fund should always be separately invested. In loan offices the reserve fund is seldom, if ever, separately invested. In my opinion this is essential, and I am of opinion that it should be invested in Trustee securities such as Government papers, etc. My reasons are that it would attract deposits and would gain the confidence of the depositors. Moreover, in times of crisis the banks could always borrow against such securities and this would enable them to meet emergencies.

163. **Rai Bahadur Sasadhar Ghose:** Do you not think that the money would be locked and that practically very little interest will be realised?—Of course, it has got that disadvantage, but the advantages will outweigh this.

164. **Chairman:** What is your next point?—My next point is with regard to the security of the depositors, and for this my suggestion is that the borrowing capacity of a company should not be unlimited. What is usually done is this. A company is started and as few shares as possible are offered in the market and then it gets deposits many times the amount of the paid-up share capital. For example, in one bank in Jamalpur the share capital is Rs. 1 lakh, composed of 10 thousand shares of Rs. 10 each and only 1,330 shares have been issued and Rs. 5 per share has been called, whereas they have got deposits to the extent of Rs. 80,396-4-6. What is the security of the depositors? This applies not only in the case of one particular bank but to many.

165. What is the proportion of Imperial Bank or Chartered Bank in this respect?—I do not know.

166. Do you not think that such a thing would be a great handicap to the banks?—Some means should be adopted to safeguard the interests of the depositors.

167. Supposing the Bank has sufficient liquid capital and negotiable securities to meet the requirements, is not that sufficient?—It should either have a good reserve fund or un-paid share money, or if its funds are invested in good securities, that should be quite sufficient to the depositors.

168. **Rai Bahadur Sasadhar Chose:** Do you not think that failures are better than handicapping the banks in this way?—What I fear is that it may lead to many failures and eventually that would retard the growth of such banks.

169. **Chairman:** You think that such a change is essential?—Some means should be found to protect the interests of the depositors.

170. **Rai Bahadur Sasadhar Chose:** Can you cite any instance of failure of this kind?—My fear is that it would lead to failures sometimes. But up till now I have not come across any.

171. **Chairman:** Do you think that restriction of deposit is a proper remedy?—I do not go so far as that, but some means should be adopted.

172. Do you not think that restriction on the methods of working would be much better, such as that there should be always sufficient money to meet the demand of the depositors as they fall due? Supposing the auditor at the annual audit shows that so much money would be due next year and the law requires that so much money will be kept ready during the same year, would that not meet the case?—So far as my bank is concerned there is a direction that this amount should be always kept in hand, but so far as the loan offices are concerned they do not do this always.

173. **Rai Bahadur Sasadhar Chose:** Do you agree that these loan offices are of inestimable benefit to our country, and, therefore, we should do all in our power to encourage them?—Certainly, but if there are any abuses we must put them down, and we must provide safeguard so that they do not fail.

174. Do you not think that the depositors take much care of their deposits?—No, I respectfully differ, they deserve protection.

175. The loan offices have done useful service by eliminating the mahajans, if that is so, what you ought to do, is to help their growth?—Certainly, but consistent with the safety of the depositors.

176. **Chairman:** Do you think that there should be any legislation with respect to the training of accountants and the training of other bank officers?—Yes, this is necessary. But it would replace many old servants of the bank who are very useful officers. This may be done gradually, otherwise it would be a great hardship to the many deserving people who are working now.

177. Do you think that there should be any restriction as regards the rate of dividend?—Yes, at present it is running to extravagance.

178. **Rai Bahadur Sasadhar Chose:** Would you object to the high dividend?—Provided there is sufficient reserve, I do not object to the high dividend.

179. **Chairman:** Now, Mr. Guha, would you please tell us your next point?—My next objection is with regard to the high rate of the Directors' fees. Their remuneration should be reasonable.

180. **Rai Bahadur Sasadhar Chose:** But do you not think that it is disproportionate to the actual work that is done by the Directors?

—It should be reasonable as I have said and the standard should be the solvency of the office and the stability of the bank.

181. **Chairman:** Have you any suggestions to make?—I would like to suggest that a statutory reserve should be started in Loan offices, i.e., at least $\frac{1}{4}$ th of the net profit should go to the reserve fund.

182. As regards the working of the Committee, have you got anything to suggest? Do you think that they should do something else for the movement of money and movement of crops?—This may be done provided there is sufficient fund and sufficient number of people to cope with the extra work.

183. Any other suggestion?—My next suggestion is that there should not be more than one loan office in one particular area because it leads to unhealthy competition.

184. Well, this competition is to the advantage of the depositors as well as of the borrowers, because the latter can get money at a lower rate of interest. What are the abuses that it leads to?—The proper term is not abuse. The same borrower will go to different loan offices and incur more loans than he really requires.

185. **Rai Bahadur Sasadhar Ghose:** But the Jamalpur people were telling us that as soon as a loan is applied for, an enquiry slip is invariably sent to the loan offices of the locality to ascertain whether the particular man has incurred any debt. Is not that a sufficient safeguard?—I do not know how far this serves the purpose and whether this practice is regularly followed.

186. Do you not think that there is room for both loan offices and co-operative societies?—Yes, there is plenty of room for both.

187. And there need not be any competition?—At present we do not encourage loans to agriculturists; they now take loans from the co-operative societies.

188. All the same, it is well known that co-operative societies cannot finance all the needs of the cultivators, and the cultivators have the alternative of going to private mahajans or to the loan offices. Do you not think that they should go to the loan offices?—Yes, certainly. Well-to-do loan offices are even better than co-operative societies.

189. **Chairman:** What is the rate of interest on loans issued by the co-operative urban banks at Mymensingh?— $9\frac{3}{4}$ per cent. per annum. The rate is uniform, never more nor less. There is a system of paying loans in instalments—generally in 36 instalments. It is a great boon to people who get monthly remuneration.

190. What is the rate of interest on deposits?— $7\frac{1}{2}$ per cent. at the highest.

191. Do you work on your own capital, or borrow from the central banks?—Sometimes from the central banks. I am of opinion that inter-lending between approved loan offices and co-operative banks should be encouraged.

192. What would you suggest about the encouragement of the investment habit among people?—The establishment of loan offices and banks has the effect of inducing people to invest money with these banks.

193. Is the habit of hoarding of jewellery killed and are gold and silver jewellery employed as a method of investing surplus or simply

as ornamental?—The habit of hoarding of jewellery as a method of investing of surplus is practically non-existent. Now it is only employed for the sake of ornamentation. But I think that among the Shahas the hoarding in gold still continues.

194. Do you not think that the high rate of dividend that is paid by these banks attract depositors?—Certainly they do.

195. **Rai Bahadur Sasadhar Chose:** Do you not think that the central co-operative banks can be entrusted with Treasury work?—Yes.

196. How long have you been a Director of the Bank?—For over 8 years if not more.

197. Have you much small industries in your district?—In our quarter in Tangail we have got cotton weaving and *kansa* (bell-metal) industries.

198. Are they in a prosperous condition?—No.

199. Do you not think that if Government gave loan to those loan offices and banks at a low rate of interest that would be of much help to them?—Certainly.

200. **Chairman:** Do you think that the system of audit in the loan offices should be improved?—I do not know what other improvement can be made.

201. Jamalpur people were telling us that they have got daily audits?—I do not know, but if it can be done so much the better.

202. **Rai Bahadur Sasadhar Chose:** In co-operative banks you set apart a part of your net profit to help charity. Do you not?—Yes.

203. What would you say if a rule were made that loan offices should also do so?—I approve.

204. Do you not think that such money can be more profitably used if they are given to educated, honest, young men to do business on their personal credit?—Yes, at any rate, a beginning should be made in that direction.

205. Have you not found that honest, industrious young men do not often get money to do business?—Yes, I have come across several such cases.

206. Do you not think that our Bengali young men would not easily get credit as non-Indians would get?—I do not know much of it.

207. Depositors ordinarily prefer co-operative bank to Imperial Bank, do you think so?—They prefer co-operative banks and loan offices.

208. Can you give any reasons for that?—The following are some of the reasons:—

(i) High rate of interest.

(ii) They are conducted by men to whom they have got easy access, and

(iii) In time of difficulty the withdrawal of money is much more easy.

209. People of our country instead of purchasing Postal Certificates prefer to deposit money in these banks—is that so?—At least to my knowledge, that is so. This is my experience so far as Mymensingh is concerned.

210. **Chairman:** We are much obliged to you, Mr. Guha, for the very interesting evidence that you have given.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

December 13th, 1929.

PRESENT :

DR. J. C. SINHA.

DR. N. N. LAW.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. S. M. Bose, A.B. (Stanford), M.Sc. (Calif., U. S. A.), called and examined.

211. **Dr. Sinha:** I understand that you are the proprietor of the Bengal Waterproof Works?—Yes.

212. I understand also that you are in close touch with many industrial concerns in Calcutta and elsewhere for the last 15 years and are also a Director of a few joint-stock companies?—Yes.

213. What are the companies of which you are a Director?—I am a Director of the following companies:—

- (1) Bengal Soap Factory, Ltd.
- (2) Madhabcherra Tea Company, Ltd.
- (3) Bangeswari Cotton Mill, Ltd. (registered in 1928 but has not begun work as yet).

214. When did you start your own business?—About 10 years ago.

215. The Committee is much obliged for your written memorandum with regard to industrial finance. For the purpose of record, may I know the nature and extent of your business and also your own experience with regard to financial facilities?—I began with a capital of Rs. 25,000. The annual sale at present amounts to Rs. 2,00,000. The chief articles manufactured are tarpaulin, raincoats, oilcloth, waterproof paper, packing materials, etc. About 40 men are employed throughout the year in the factory but in the busy season from April to October, extra men have to be taken. I do not require block capital so much as floating capital. I experience great difficulty in financing purchase of raw materials.

216. May I have a few specific instances of such difficulties?—In 1927, I received an order for tarpaulin worth Rs. 60,000 from the Stores Department of the Government of India. The goods were to be supplied within three months. For want of funds I experienced a very great difficulty in purchasing raw materials. I borrowed money from an Indian joint-stock bank in Calcutta at 15 to 18 per cent. on the personal security of myself and one of my relatives. Two months ago, I received an enquiry for nearly Rs. 4 lakhs worth of tarpaulins and

waterproof bags from an Indian State. I could not secure the order, because for want of funds I had to insist on prompt payment against each delivery.

217. Was your difficulty due to the fact that the orders were too large in proportion to your normal annual output?—Yes, my difficulty was only partly due to the reason suggested by you. With my present equipment I can manufacture goods worth about Rs. 4 lakhs or more, if I can secure facilities of finance.

218. You have suggested in your written memorandum that banks should be established to make advances to small industries. Will you kindly describe a little more fully the conditions under which such advances should be given to your business?—I have to clear some documentary bills, generally D./P. drawn from abroad. If an exchange bank will meet such bills on maturity and will keep the imported goods in its warehouse and deliver them under a partial delivery system, it will mean considerable financial assistance to me. I am prepared to pay up to 25 per cent. as margin to the bank when the bills become mature.

219. I am surprised to hear that banks in Calcutta do not offer such facilities and new banks have to be started for the purpose. How do you then finance your imports at present?—I have often to borrow from Marwaris and other money-lenders at 12 per cent. plus commission including *gadi salami*, etc. This works out to 15 to 18 per cent. per annum. The same difficulty arises in the case of bills drawn in respect of purchases of raw materials in other parts of India. As I have to pay such high rates of interest my margin of profits falls very low.

220. Are there any difficulties in obtaining loans against your stock of manufactured goods?—Though I have at present a stock worth a lakh of rupees in my godown, I do not get any loan against it. I am ready to store my finished goods in the godown of a bank and get against them an advance of, say, 50 per cent. of the price of such goods. I have made such suggestions to some joint-stock banks in Calcutta, including the Imperial Bank, but have not been successful.

221. Will you kindly mention the names of some of these banks?—Lloyds Bank, Imperial Bank and Hindustan Co-operative Bank.

222. Was any reason assigned for turning down your proposal, e.g., your goods are seasonal or have a limited market?—No, no reason was given.

223. Do you get any advance from banks against bills drawn in respect of your goods sent to the mufassal in execution of an order or against railway or steamer receipts?—Very rarely.

224. The Committee is much obliged to you for your memorandum and for your assistance to-day.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

December 17th, 1929.

PRESENT:

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. J. C. SINHA.

DR. N. N. LAW.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. B. Maitra, M.Sc., called and examined.

225. **Dr. Sinha:** Mr. Maitra, you are a partner of Messrs. Sen Das Maitra & Co., Managing Agents, Calcutta Chemical Company, Limited?—Yes.

226. Are you connected with any other firm?—No.

227. How long have you been associated with the Chemical Industry?—From 1916, when this firm was established as a private limited company. It was converted into a public limited company in 1920.

228. What is the paid-up capital of your company?—About Rs. 1,40,000.

229. What has been the rate of dividends for the last 3 years?—No dividend was declared in 1927; it was 2½ per cent. in 1928 and also in 1929.

230. The Committee has had the advantage of reading your memorandum on industrial finance. Why do you say that the question of raising capital by further issue of shares is out of the question?—Because the people here generally do not subscribe to industrial concerns now-a-days. It may be that they feel shy. Further, general depression of industry and unwillingness of the public and the fact that the rate of dividend in this industry is lower than in industries like tea and jute are also some of the causes.

231. You have stated that no loan is possible against block assets. What is your experience in the matter?—Several years ago the Co-operative Hindusthan Bank, Ltd., opened cash credit to the extent of Rs. 10,000 against my father's personal guarantee and against block and manufactured goods of the company at the rate of 12 per cent. plus other charges, the total amounting to about 15 per cent. Now-a-days they are not granting such cash credits. I approached the Central Bank of India and another bank, but they refused to advance against block.

232. Do you experience any difficulty in obtaining advances from banks against bills on Government departments and railways? If so

please give some specific instances.—Before its failure, the Bengal National Bank, Ltd., used to advance 80 per cent. against such bills at an interest of 2 per cent. above the bank rate, with a minimum of 9 per cent. plus $\frac{1}{4}$ per cent. commission. Three years ago we approached the Central Bank of India for a similar accommodation which was at first refused. Subsequently, after a strong protest, they were prepared to advance only up to 50 per cent. of the amount of the bills drawn on Government departments and on railways. But the outstanding amount of such advance was fixed at Rs. 2,000 only. Many other rigid conditions were also imposed—so much so, that it was not at all advantageous for us to accept the offer.

233. You state that “no facility, whatsoever, is extended to us by any non-Bengali bank, whether Indian or non-Indian.” Can you cite any specific instance?—About 5 years ago there were several casks of bichromate in the godown of the Central Bank of India, Calcutta, which were being held there for an Indian merchant in Bombay. I purchased a few casks from the merchant and deposited their price with the Central Bank of India, Calcutta, to the credit of that party. Eventually the bank delivered the casks to me under a partial delivery system granted to that merchant. Afterwards I purchased the whole lot and asked for the granting of the same facility to me but it was refused.

234. Do you experience any difficulty in clearing bills for imports received from abroad?—Yes, when I have to clear D/P bills.

235. Can you cite any concrete instance?—Yes. Last year we imported chemicals from foreign countries and requested the Central Bank of India, Messrs. Grindlay & Co. and some other banks to have the goods cleared and stored. We were prepared to give sufficient margin on the amount of the bills and requested them to give us part delivery on proportionate payment, but they refused.

236. Did they assign any reason?—No.

237. One of your suggestions in the written memorandum is that co-operative credit banks should finance industries. There are two difficulties in the way—(1) Co-operative banks can lend only to members, (2) the bulk of their funds is short-term and cannot be locked up in loans against block assets or for the purchase of machinery in the way suggested by you. How do you propose to remove these difficulties?—In that case I would propose banks with State assistance.

238. One of your suggestions is that banks with State assistance should finance the purchase of raw materials. Will you kindly describe a little more fully the advantages which you expect to derive?—We can purchase raw materials at a very cheap rate and in bulk, at special seasons of the year, e.g., nim oil. In our case nim oil is necessary for the manufacture of soap. If we can buy at the time of the season and in bulk, it would be much more economical for us, but we cannot do so on account of financial difficulties. Moreover, we have to pay higher railway freight in buying small quantities at a time,

239. In your written memorandum you apprehend losses in State-aided banks, at least in initial stages of industrial advances. What

is your estimate of the immediate loss and ultimate gain to the general body of tax-payers?—I don't think that if advances are made prudently, there will be any loss. In every business transactions, however secure, it might appear in the start, there may be some unforeseen cases of loss. Offer of assistance at the initial stage by State will help the banks to come out boldly in the venture and gradually adjust themselves with conditions with which they are not familiar at present.

The ultimate gain to the tax-payers will be that industries will flourish and the industries themselves will contribute more to the taxation than at present.

240. Mr. Maitra, we are very much obliged for your assistance to-day.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

RANGPUR.

FIRST DAY.

January 27th, 1930.

PRESENT:

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED (*in the chair*).

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

DR. N. N. LAW.

DR. J. C. SINHA.

MR. J. C. CHAUDHURI (*Secretary*).

Maulvi Shah Abdur Rauf, pleader, called and examined.

241. **Khan Bahadur H. U. Ahmed:** Mr. Rauf, we understand you are an ex-member of the Bengal Legislative Council?—Yes. I was a member of the first Reformed Council.

242. And you are the Secretary of the Rangpur Central Co-operative Bank?—Yes. I have been its Honorary Secretary for the last 12 months or so. Before that I was one of its Directors.

243. Are you an inhabitant of this district?—Yes.

244. May we know how long you have been connected with the co-operative movement?—For the last two years.

245. Are you a landholder?—I am a tenure-holder and a raiyat, not a zemindar.

246. You have no money-lending business?—No, I am a Director of one of the loan companies here, viz., the Popular Banking and Trading Company, which is a purely Muhammadan concern—all the shareholders being Muhammadans.

247. Are you connected with any other public institutions?—I was the Secretary of the Raiyats' Association in this district in 1920. I was a Commissioner of the Rangpur Municipality and also served on the various committees of the town, e.g., the Hospital Committee and several other committees. I have been elected as a member of the District Board and am the Chairman of the existing Local Board.

248. These are by way of preliminaries. My colleagues will now put some questions to you and we hope you will assist us by your answers to them.

249. **Dr. Sinha:** Did you send any reply to the Registrar of Co-operative Societies' Circular about the starting of Land Mortgage Banks?—No, we have not given any definite reply, but we have discussed the question.

250. What is your idea about Land Mortgage Banks? Would you like to have them as separate institutions?—No, I should think such a bank ought to be an annexe of the central co-operative bank.

251. Do you think your own central bank can undertake this business?—Yes, it can, provided there is a separate committee to look after this work. What I mean is that the central bank should consist of two departments, one of which will manage the land mortgage business and the other will do what it has been doing at present.

252. How would you provide funds for the Land Mortgage Department?—Government may be asked to advance us the requisite capital in the beginning.

253. What is the longest period for which you attract deposits?—Fixed deposits at 2 to 5 years' notice.

254. So the longest period is 5 years?—Yes, the term may be extended to 10 years.

255. What would be the rate of interest for 10 years' fixed deposit?—For 5 years the rate is 9 per cent.; for 10 years it may be 10, 11 or 12 per cent.

256. We have been told elsewhere that it is difficult to attract deposits because of the competition of loan offices?—Of course, there is competition, but people think that their money is more safe in the co-operative central banks than in the loan offices.

257. We are told that the rate of interest given on deposits by the central bank here is higher than the rate given by the Rangpur Loan Office. Is it so?—Yes, it is true.

258. It would seem you have not the same credit as the Rangpur Loan Office. Do you want any debentures?—Debentures will be required when there will be shortage of funds and Government ought to be responsible for the repayment of the interests on the debentures.

259. Will they attract a sufficient number of purchasers?—Provided Government put their seal on the debentures, sufficient number of purchasers would be forthcoming.

260. **Khan Bahadur H. U. Ahmed:** A guarantee for the interest or the principal?—For interest only.

261. **Dr. Sinha:** How do you safeguard the interest of the Government against loss?—There is the Government inspection and audit.

262. For what period you would grant loans from the Land Mortgage Department?—Say, for 10 years, sometimes for 15 years.

263. Do you want Land Mortgage Banks to clear up previous encumbrances of the members?—Yes.

264. **Dr. Law:** You said just now that the longest period for which loans should be granted may be from 10 to 15 years. But in the case of Muhammadan families, don't you think that the law of inheritance leading to division of holdings will stand in the way of recovery?—The law is that they can get share of the property, provided they pay the debts due thereon.

265. Sometimes difficulties may arise owing to an absentee heir, whose whereabouts may not be known for the time being, putting in a claim later on. How would you guard against that?—There is one safeguard. In the case of rural societies as soon as a member dies, it is the duty of the Supervisor to find out the names of the heirs after proper enquiries.

266. But would it not be more convenient if there were one individual person against whom the Bank could proceed; that is to say, if the co-sharers made over their holdings to one man and he took charge of the property and the mortgages were made in his name, would that not facilitate realisation of the debt?—I think there will be some legal difficulties and such a man would be at liberty to deal with the property in any way he likes.

267. Then, there are chances of losses?—Yes, in some cases.

268. **Khan Bahadur H. U. Ahmed:** We should now ask you some questions about your loan company. When was the Popular Bank and Trading Company, Limited, started?—In 1933 B.S.

269. **Dr. Sinha:** Do you lend money on mortgage of land?—Mainly on mortgage of land and also on personal securities.

270. What is the rough proportion of loans given on mortgage and on simple bonds?—80 per cent. on mortgage and 20 per cent. on simple bonds.

271. Have you current deposits? If so, do you issue cheques?—Yes, we receive current deposits, but we do not issue cheques.

272. Any intermediate deposits?—Yes, there are 6 monthly deposits as well as deposits for 1 year and 2 years; the longest period being 2 years in our bank.

273. Do you charge compound interest?—Yes, generally with annual rests, but sometimes with 6 monthly rests.

274. **Khan Bahadur H. U. Ahmed:** Do you realise any interest in advance?—We deduct only one month's interest in advance at the time of giving the loan.

275. **Dr. Sinha:** Do you grant loans for a fixed period or for the period of limitation?—Generally for the period of limitation, a *wada* is mentioned in the bond only for calculation of the period of limitation.

276. Do you lend to the agriculturists?—Mainly to the agriculturists.

277. What is the amount of paid up capital?—Rs. 20,000.

278. And the amount of deposits that you have been able to attract?—About Rs. 50,000.

279. Have you built up a reserve fund?—A very small one.

280. **Khan Bahadur H. U. Ahmed:** Do you set apart some money for this purpose every year?—Yes.

281. **Dr. Law:** Is it separately invested?—No, I think it should be separately invested.

282. **Dr. Sinha:** Have you declared any dividend?—Yes, 20 per cent. for the last two years.

283. **Khan Bahadur H. U. Ahmed:** Is there any limitation on dividend?—No.

284. **Dr. Law:** Do you do commercial banking?—No.

285. Do you know any other institution which does so?—There is none in Rangpur, so far as I know.

286. Has any part of the capital been locked up in land?—No, not yet.

287. **Khan Bahadur H. U. Ahmed:** Some of the loan offices here have got land?—Yes, Rangpur Loan Office and the North Bengal Bank.

288. **Dr. Sinha:** Is there any competition in this district between co-operative banks and loan offices?—I do not think there is any competition.

289. **Dr. Law:** What do you think of federating all the loan companies into a central institution? Do you approve it?—That's a good idea.

290. Was there any bank failures in this district that you know of?—I know of only one case, the case of a bank which was registered, but could not even commence business.

291. **Khan Bahadur H. U. Ahmed:** How many banks have been recently started?—About 20.

292. Do you want to restrict such growth?—I do not want to restrict their growth, but I want that restrictions should be put upon their working so that the interests of the depositors and share-holders may be safeguarded.

293. Would you apply it to old banks as well as to new ones?—I think all the banks ought to be subjected to such regulations.

294. **Dr. Sinha:** Your idea is that $\frac{1}{4}$ th of the paid-up capital should be invested in Government security?—Yes, the reserve fund with a certain portion of the working capital should be invested in Government security.

295. **Dr. Law:** Do you think that to safeguard the interests of the depositors there should be some from amongst them on the Directorate?—Yes, this may also be done.

296. The depositors come from different parts, who will represent them?—They may select some one from amongst themselves.

297. **Khan Bahadur H. U. Ahmed:** At present your audit is done by Government certified auditors?—Yes.

298. **Dr. Sinha:** Would you prefer Government-appointed auditors to them to ensure protection of the depositors' interest?—I think that will be better if they are not paid by the company direct—of course, the company will subscribe annually.

299. **Dr. Law:** Do you think that there should be a uniform system of accounting in all the loan companies?—Yes, it ought to be.

300. **Dr. Sinha:** Do you want double entry system?—Of course, this will increase the work, but this will be better.

301. **Dr. Law:** Do you issue any hundis to the loan companies? No, there is only one bank in Rangpur that issues hundis. This bank finances the tobacco companies.

302. Is there any indigenous banker here?—No, there is none.

303. Are there any Marwaris here who do this business?—They simply do money-lending business like our mahajans.

304. **Khan Bahadur A. Haque:** Do you think that the amount of capital that has been placed at the disposal of the co-operative societies is ample?—No, not at all. We require about 3 crores of rupees and have got only Rs. 13 lakhs.

305. Do you desire that any financial concessions should be given to the co-operative societies to stimulate their expansion, e.g., special exemption from income-tax and so forth?—I think they enjoy some such concessions already.

306. Any other concession in addition to that?—Yes, the cost of remittance may be reduced.

307. **Dr. Sinha:** So far as the investment of the co-operative societies in Government securities is concerned, some societies suggest that this should be income-tax free—what would you say to that?—Yes, this should be so.

308. **Khan Bahadur H. U. Ahmed:** As regards taking copy of the record-of-rights, should that also be free of costs?—Yes.

309. **Dr. Sinha:** Yours is a pure type central bank?—Yes.

310. **Dr. Law:** What do you think of free inter-lending of funds between co-operative societies and loan offices?—That may be done.

311. Why don't you do it at present?—I think the law stands in the way. We cannot deal with any bank other than the listed ones.

312. If you think that by doing so you will be benefited, why don't you do that?—We do not do it because just now we do not require any more money; but with the increase of rural banks such necessities will arise.

313. What has been the effect of the establishment of co-operative societies in rural areas on the prevailing rate of interest? Has it come down?—I don't think so.

314. **Khan Bahadur A. Haque:** Will you kindly let us know the number of loan offices in Rangpur town?—I cannot give you the exact figure. But roughly speaking, the number will probably be 30.

315. The co-operative societies have been at work in this district for a pretty long time. How is it that the people are not taking to co-operative societies?—People are afraid of joint liability; that is one of the reasons why the movement is not progressing.

316. Is there any other reason?—There is also no regular organisation to push it on.

317. Therefore, your point is that, given a sufficient number of organisers, it will be possible to have a net work of co-operative societies in the district in a reasonable length of time?—Yes, that is possible.

318. **How many organisers would you require for the Sadar sub-division and should they be paid or be honorary or both?—**I think there should be both paid and honorary workers.

319. **Khan Bahadur H. U. Ahmed:** Do you think they should be connected with the central bank?—Yes, they ought to be connected with and controlled by the central bank.

320. **Khan Bahadur A. Haque:** What is the prevailing rate of interest of mahajans in this district?—Rs. 3-2 per cent. per month, i.e., 37½ per cent. per annum. In the case of loans on simple bonds, no compound interest is charged, but in the case of loans on mortgage bonds, the interest is compounded with 6 monthly rests.

321. What is the average proportion of secured and unsecured debts?—I think 75 per cent. of the debts are secured and 25 per cent. unsecured.

322. What has been the effect of the working of the Usurious Loans Act in your district?—No effect is perceptible.

323. Has the credit of the agriculturist increased in any way or decreased on account of the introduction of the amended Bengal Tenancy Act?—I think it has increased.

324. Is the agriculturist able to get the same value for his land as before?—No, he now gets even less on account of the *salami* that must be forthwith paid to the landlord.

325. If what you say, is correct, it looks his credit has diminished?—Yes.

326. What has been its effect on the credit of the tenure-holder?—I am not in a position to answer this question.

327. **Dr. Law:** Were the tenants required to pay *salami* previous to this legislation?—No, not in this district.

328. **Khan Bahadur A. Haque:** What is the total working capital of your loan office?—Rs. 70,000.

329. How much have you kept in dead stock?—One-tenth of it.

330. But supposing you would utilise the entire capital, what would have been your profit?—About 33 per cent.

331. Can you generally give the reasons which lead to the liquidation of co-operative societies in your district?—Mainly bad management and defective organisation.

332. Is there any means by which the Central Bank can stop bad management of the rural societies?—Yes, by reconstituting the Panchayat Committee.

333. What is the average rate of interest charged by the central bank on their affiliated societies and that charged by the latter on their member?—For short term loans we charge 9 per cent., they charge 12½ per cent.; for long term loans we charge 12½ per cent., they charge 15 per cent.

334. What is the duration of long term loans given by you?—Generally 3 years.

335. Do you do any business with the local branch of the Imperial Bank of India?—We are simply depositors. We keep our money there in current account, for which we get no interest.

336. Do the people get currency notes to the extent they desire?
—So far as I know, there is no difficulty.

337. From the point of view of banking, what has been the effect of the opening of this branch?—It does all other banking business except money-lending. I cannot say beyond this.

338. So far as the co-operative societies are concerned, do you know of any instance in which the entire village debts have been wiped off?—No.

339. Or any instance in which the debts of members have been totally redeemed?—Very few.

340. What has been the effect of the introduction of co-operative societies, side by side with the mahajans?—It has only increased the indebtedness of the members without giving them any corresponding advantage. The establishment of co-operative societies, side by side with the mahajans, has made a villager incur more debt without giving any apparent advantage so far as the co-operative movement is concerned.

341. What is the average value of land in this district?—Rs. 75 per bigha on average of good and bad lands. Jute and paddy lands fetch Rs. 150 to Rs. 200 per bigha.

342. Is it a fact that landlords or tenure-holders are generally mahajans?—Tenure-holders are generally mahajans.

343. **Khan Bahadur H. U. Ahmed:** Do you think that joint liability has interfered with the expansion of the co-operative movement?—Yes.

Rai Bahadur Sarat Chandra Chatterji, Chairman, District Board, Rangpur, called and examined.

344. **Khan Bahadur H. U. Ahmed:** How long have you been living in this district?—Since 1890.

345. You are the Public Prosecutor and Government Pleader here?—Yes.

346. May we know for how many years you have been connected with the District Board?—For nearly 30 years.

347. Have you got any landed property in this district?—No.

348. You have no money-lending business?—No.

349. Are you Director of any of the local loan offices?—I was a Director of several loan offices for about 10 or 15 years, but am no longer so. At one time I was the Managing Director of the North Bengal Bank.

350. You are connected with various other public activities?—Yes, I am a member of the Governing Body of the college and the schools.

351. We understand you were one of the organisers of the Central Co-operative Bank at Sadar?—Yes, I was connected with it for 10 years.

352. Have you any connection with the Imperial Bank?—Yes, as a small depositor.

353. **Khan Bahadur A. Haque:** What is the nature of business which the Imperial Bank does here?—They only finance the jute and

tobacco industry. In fact, the branch has been opened here at the request of the Europeans and Marwaris interested in the tobacco trade.

354. Do you know how they actually finance?—No.

355. How are the people of the district benefited by this branch?—They find a safe place for investment of their money.

356. Is remittance work done by the Imperial Bank here?—Yes, to a considerable extent.

357. You have recently started the Electric Supply Corporation. Have your loan offices invested money there?—Yes.

358. To what extent?—Approximately, Rs. 20,000. Only one or two loan offices have invested money.

359. Have you got any idea as to the total amount of the working capital of these loan offices?—In the town about Rs. 60 to 70 lakhs including deposit.

360. How are they invested?—Most of it are invested in mortgages.

361. Are these mortgagers agriculturists, middle-class men, tenure-holders or landlords?—They are zamindars and tenure-holders.

362. Speaking of the tobacco industry, is there any going concern in this district now?—There was one concern, named Rangpur Tobacco Company, which died long ago owing to the unfair competition of the American Tobacco Company, which appeared in the field to crush this indigenous enterprise.

363. At that stage did Government give any assistance to it?—No.

364. Would you like the local enterprises to be protected?—Certainly.

365. Barring tobacco, what other indigenous industries are there in this district?—There were carpet industry (*durrie*), ivory industry, brush and endi silk industries. Most of them have disappeared.

366. What is the cause of the decay of so many industries?—So far as *durries* are concerned, they could not compete with the mill products.

367. What in your opinion are the present defects, if any, of the co-operative movement?—There is too much official interference. They put undue restrictions on the operations of the bank.

368. Will you kindly explain it fully?—I will give you some idea. It is a new movement and has to be nurtured properly but undue interference keep respectable people out of it. The department would insist on having their own forms introduced in societies even though there are legal defects. In one instance they appointed as auditor a former Supervisor who had been removed from his office by the Directors of the Central Bank for dishonesty and sent him to audit the accounts of this very Central Bank. This was a direct insult to the Directors of the Central Bank who were all men of respectable position.

369. Did it lead to loss of money on your part?—It kept the respectable people away from the Directorate, which means loss of investment. We could have attracted more finance.

370. Do you think the present system of Government audit is sufficient to detect abuse and mismanagement in co-operative societies?

—I think the audit is a failure, because the auditor has a tendency more to override the Directors than assist them in bringing out the exact financial position.

371. Is there any undue delay in disposing of the loan applications of members?—I am absolutely ignorant of the affairs of the present time, but formerly there was some delay.

372. What time usually elapses between an application for loan and the receipt of the amount?—Not less than a month.

373. Have the co-operative societies improved the credit of the villager or merely increased his indebtedness?—At present I am inclined to think that they have increased the indebtedness and not the credit.

374. What is your opinion on rural credit as regards the amended Bengal Tenancy Act?—It is very difficult to say now.

375. For what purposes agriculturists generally take loan?—To pay rent and also to pay labour employed by them.

376. Have the Kabuli money-lenders come in the districts?—They did come, but I think the loan offices and joint stock banks have done much to drive them away.

377. **Dr. Sinha:** Are there any Marwari bankers here now?—Yes, there are some.

378. **Dr. Law:** What are the different kinds of business they usually transact?—They take deposits and pay the interests thereon and lend money and levy interest.

379. Do they transact *hundi* business?—Yes.

380. Can you give us an idea of the rates of interest which these indigenous bankers charge?— $37\frac{1}{2}$ to 75 per cent.

381. What interests they pay on deposits?—From 6 to 9 per cent.

382. What is the net profit they make upon their business?—I cannot say. The profits are on the decline.

383. **Khan Bahadur H. U. Ahmed:** How is tobacco marketed by cultivators?—It goes to the brokers; they sell mostly to merchants from Madras and Arakan. Greater part of the profit goes to the brokers (*dalals*).

384. **Dr. Sinha:** Do they advance money to the raiyat?—Yes, they do.

385. **Khan Bahadur H. U. Ahmed:** Do these brokers belong to this district?—Brokers are all of this district, except the Marwaris.

386. **Dr. Sinha:** Do the Marwaris advance money to the cultivators?—Yes, through brokers.

387. **Khan Bahadur H. U. Ahmed:** Do you think it very injurious?—Yes.

388. **Dr. Sinha:** They fix an arbitrary price?—Yes, when the market is Rs. 5 they fix it at Rs. 3.

389. **Dr. Law:** You told us in reply to a question put to you by Khan Bahadur Azizul Haque that auditors issue orders which the Directors of the companies have to obey?—Not exactly that; they criticise the action of the Directors.

390. How do they do that? Can you give me a concrete example?—Auditor's duty, according to my idea, should be to see that things are done properly according to law and that necessary orders passed by the Directors are complied with. But instead we find the auditors saying that the Directors are wrong.

391. **Dr. Sinha:** It was suggested just now that loan offices are growing rapidly in the district. Is that your experience?—Yes.

392. Do you want to restrict this growth?—No. I do not think such restriction is desirable.

393. Do you think that reserves of loan offices should be invested in Government securities?—Not in Government securities, but in such securities as may be readily realisable in times of need.

394. What are such securities or investments?—The experience here is that they invest a certain sum in Government securities in Calcutta. In some loan offices, some money is invested in the Imperial Bank.

395. It has been stated to us that the interest of the depositors is not always safeguarded in the loan offices. Is that your idea?—I cannot say so.

396. **Khan Bahadur H. U. Ahmed:** Is it not desirable to have one or two representatives of the depositors on the directorate of loan offices?—Yes, if possible.

397. **Khan Bahadur A. Haque:** Where do you keep your District Board funds now?—That is all in the Imperial Bank.

398. Do you not think that a certain sum of money is always held by the Imperial Bank from District Board fund which is never spent?—Yes, certainly.

399. Does the Imperial Bank pay you any interest?—No.

400. What is your view on the point whether this balance should not or should get some interest?—Yes, they ought to pay some interest.

401. What is the average tobacco produce per bigha in this district?—That is about 10 to 15 maunds. The price of each maund varies from Rs. 20 to Rs. 40.

402. How much are the cultivators actually paid for each maund of tobacco?—About Rs. 15 per maund.

403. When is the price fixed?—At the time advance is made. Beparies make a profit of about 30 to 50 per cent.

404. **Dr. Law:** Is it not a fact that money of a few loan offices has been locked up in Banks?—Yes, this is a great handicap.

405. What is the solution?—The solution has been very difficult after the passing of the Bengal Tenancy Act.

406. Will that not bring about a crisis?—It is very difficult to say anything now.

407. **Dr. Sinha:** In your company what proportion of the value of the land mortgaged is given as loan?—Generally, they keep at least a margin of one-third.

408. Does your bank charge compound interest?—Yes, with half yearly rests.

409. What is the usual rate of interest?—Re. 1 to Rs. 2 per month. Mostly it is Re. 1-8 to Re. 1-10 on secured loans.

410. With regard to simple bonds?—That is generally Re. 1-8.

411. Is 24 per cent. the maximum rate of interest?—Yes.

412. **Khan Bahadur H. U. Ahmed:** If the credit facilities of the illiterate people are very much increased and they can get money very easily, don't you think their condition will be worse?—Yes.

413. That is all. We have given you much trouble, Rai Bahadur, and our thanks are due to you for the patient way in which you have answered our questions.

Mr. A. R. Malik, Deputy Director of Agriculture, Northern Circle, called and examined.

414. **Khan Bahadur H. U. Ahmed:** How long have you been here?—I joined at Rangpur on the 15th March 1926.

415. Before that?—Before that I was at Dacca for nearly 2 years.

416. **Dr. Sinha:** You have suggested in your memorandum that there should be compulsory registration of all kinds of money-lenders?—I meant that Government should have a department which would control all money-lenders, and just as they have registration of co-operative societies and of joint stock banks there should also be registration of all people who do the "business" of lending money, so that Government and all concerned may know what is going on.

417. You want that simply their names should be registered?—Not only their names but also the extent of business they are doing, so that Government may have control over them.

418. Do you mean to say that a statement of the extent of the operations of the money-lenders should be furnished?—Yes, there should be some sort of check on their transactions.

419. In Bengal even widows take to money-lending. Do you want to register them also?—They do not do the "business" of money-lending. They simply earn a livelihood for subsistence.

420. **Dr. Law:** If it is a source of subsistence, how would you distinguish?—Profit-making for subsistence and extensive profit-making, profiteering, are different things.

421. How would you draw a line of demarcation?—There must be some criterion for that. It will depend on the income of the man. For example, anyone lending more than one thousand rupees a year is conducting the business of money-lending. Those lending less than that are doing so for subsistence.

422. **Khan Bahadur A. Haque:** There is an instance of a widow lending about Rs. 250 at a large compound interest. After two or three years' time she has sued for capital and interest accumulating to nearly Rs. 2,100. Is it your opinion that such usurious practices should be stopped by legislation?—Yes. This is clearly not a case of earning a subsistence but that of obtaining usury, to stop which should be the aim of the legislation through registration.

423. **Dr. Sinha:** What will be the actual process of registration?—They should take out a license. There should be a sort of

Articles of Association and if they submit to them, they may have a license.

424. How will it improve the position of the debtors?—The extent of the rate of interest will be limited.

425. How?—They will have to depend on the registration. They will have to fix a rate of interest beyond which they cannot charge.

426. Would you prescribe the same rate of interest for the whole province?—It will have to be according to the local conditions. For the whole country it should not go beyond a certain limit. Rate will also vary according to the amount lent.

427. What is the limit?—For cultivators it should not be more than 24 per cent. per annum.

428. **Dr. Law:** Taking the example of Rangpur district, the total amount available with co-operative banks for lending is about Rs. 70 lakhs but the total amount borrowed through different sources by the cultivators runs up to crores. If the legislation is introduced to limit the rate of interest, the mahajans may refuse lending and the Co-operative Banks not being able to lend, do you not think that the legislation will be infructuous?—The aim should be to increase the number of Co-operative Banks and thus make more capital available for lending. As this will be done gradually, the legislation would also be enforced to that extent. Legislation could not be introduced at once.

429. **Khan Bahadur A. Haque:** With a view to check the evils of money-lending do you think some sort of legislation is necessary?—Yes.

430. If so, is it not desirable that the sooner the provision is made for such registration, the better for the country?—Of course.

431. Your point is that though you may not be able to get all the money-lenders by such registration, it will decrease the evils of usury to a certain extent?—Yes.

432. Is it your view that people doing money-lending business beyond a certain minimum sum should have compulsory registration that it may secure at least an advantage for the debtors, viz., that every debtor will be entitled to know what credits he has been given for payment made by him from time to time?—Yes.

433. Do the debtors often complain that payments made by them are not always credited?—Yes.

434. Do you think that Kabuli money-lenders are a growing menace to the country and legislation for compulsory registration of all money-lenders will have a very salutary effect in checking their oppression and abuses?—Yes.

435. In short, your view is that it is not expedient that the present state of things in which the mahajan charges whatever rates of interest he pleases should continue?—No, this should not be allowed to continue.

436. Do you hold that even though it may not be possible by legislation to have the maximum rate of interest fixed, you can fix the maximum amount that a man (money-lender) can claim?—Yes, though it will ultimately mean the same thing.

437. Perhaps you know that in Calcutta, the total amount of interest that can be claimed for a loan cannot exceed the amount lent, i.e., that the principal can only be doubled. Is it your opinion that a similar law should prevail in the whole province?—Yes, this will reduce much embarrassment to cultivators and would be very desirable.

438. Is the average production per acre of land decreasing?—Yes.

439. What is the quantity of land an average cultivator usually possesses?—5 to 10 bighas.

440. What is the average annual income of a cultivator possessing 10 bighas of land?—I should think that after meeting the normal household expenditure, he should have about Rs. 100 left with him.

441. **Khan Bahadur H. U. Ahmed:** Don't you think the cultivators are getting poorer and poorer day by day?—Yes.

442. Is it due to other causes than fragmentation of his holdings?—One of the causes is the permanent land settlement system. A cultivator who has 5 or 10 bighas of land cannot undertake an irrigation or drainage scheme which is an important factor in the improvement of land and then if he improves the land, a small plot, by himself, he is not sure that he will always remain the master of the land and get the full value of the manure that is given to the soil all the year.

443. **Dr. Law:** He is as good as a proprietor?—It cannot be for individual plots.

444. Fragmentation takes place for a cause upon which he has no control?—Yes.

445. Don't you think that the cultivator indulges in luxuries sometimes and is improvident?—He cannot be called improvident and I do not think he indulges in luxuries. As a matter of fact he cannot afford to do so, even if he wished.

446. **Khan Bahadur A. Haque:** Considering the fact that the average income of a cultivator is small and that he somehow meets his needs, would you still call him an improvident person?—No.

447. **Khan Bahadur H. U. Ahmed:** We must thank you, Mr. Malik, for furnishing written replies to our questionnaire and supplementing the same by oral evidence.

SECOND DAY.

January 28th, 1930.

PRESENT :

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED (*in the chair*).

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

DR. J. C. SINHA.

DR. N. N. LAW.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. Satya Gopal Sen Gupta, Income-Tax Officer, Rangpur and Bogra, called and examined.

448. **Khan Bahadur H. U. Ahmed:** You are the Income-Tax Officer of this district?—Yes, also of the Bogra district.

449. How long have you been here?—For about a year and a half. Before that I was at Dinajpur; I was also at Mymensingh sometime ago.

450. How long have you been connected with this department?—For about 7 years and a half.

451. **Dr. Sinha:** In the course of your official duties do you come into contact with indigenous bankers? By “indigenous bankers” I mean individuals or private firms who either accept deposits or deal in hundis or do both kinds of business?—Yes. There are however not many such in this district; there are some in the town itself who accept deposits and deal in hundis; but so far as the interior is concerned, there is hardly any one.

452. What is their number?—They are very few. There are only 10 indigenous bankers who deal in hundis and accept deposits.

453. Are they Bengalis or non-Bengalis?—Excepting three, all are non-Bengalis. There is only one indigenous banker at Bogra who deals in hundis.

454. May we have the names of these bankers?—That is confidential.

455. We do not want their income, but only their names?—Even that we cannot give out.

456. Do these bankers carry on other kinds of business?—Yes. The Marwaris do various other kinds of business, but not the three Bengali Bankers, except ordinary money-lending.

457. With regard to the three Bangalee bankers, is banking their only profession?—They are not simply bankers, but zamindars also.

458. Do these indigenous bankers finance trade, industry and agriculture?—The Marwaris finance trade by means of hundis. Let us take for example the tobacco trade. Tobacco traders get money from these people by means of hundis, payable after a certain date.

459. By traders you mean *beparis*?—No, the *aratdars* and *dalals* (brokers) also. These people draw hundis payable after 30, 45, or 90 days.

460. It is not quite clear to us, will you please explain a little more fully?—Suppose an *aratdar* firm here have a branch in Calcutta. They draw a hundi payable on demand in Calcutta. They have it cashed from the Imperial Bank. Of course, some discount is to be paid for that. The Imperial Bank sends it to the Calcutta head office and when it is presented to the *aratdars* they pay it. This hundi is drawn upon Calcutta Branch of the *aratdars* having a branch here as well as in Calcutta. These are known as *darsani* hundis, i.e., payable at sight. There is another kind of hundi known as *muddati* hundi, which is payable after 30 or more days. The Marwaris often get it discounted from the Imperial Bank, Rangpur.

461. Then there is a certain amount of discounting of purely local hundis?—Yes. These Marwaris and tobacco dealers also have hundis drawn upon some people here and when these are accepted by them, drawers, the Imperial Bank discounts them.

462. Can you tell us after reading the hundis which you have kindly procured for us, the rate of discount mentioned therein?—The rate is not mentioned there. The Imperial Bank's rate is fixed from time to time.

463. By how much is it lower than the rate that is charged by the Marwaris?—The Marwaris generally take 14 annas per month per 100 but in cases of emergency they would often charge more, sometimes even Rs. 3 per month.

464. So that is one kind of business, but does it play an important part?—So far as the tobacco trade is concerned, this discounting of hundis plays an important part.

465. It would be an advantage to us if you could give us all the details of credit transactions in the marketing of tobacco?—First, there are the *beparis* who purchase from cultivators direct. These *beparis* include Marwaris as well. They give advance known as *dadan* and the price is fixed beforehand. Generally they advance Rs. 100 to Rs. 200 on the stipulation that tobacco will be supplied to them at a certain price. In this way and also by regular purchase in "*hats*" they collect the tobacco in their godowns. Then the tobacco dealers who send tobacco to Calcutta or Rangoon, purchase it from them. For that purchase they require money and they get the money in this way.

466. Can you give us some idea about the volume of business in tobacco that is done by the Imperial Bank?—So far as my assesses are concerned, I can give you some idea. I know of some big tobacco dealers; there is one such at Dhumgarha and three others near Lalmanirhat. There are four or five cases where the people get advance from the Imperial Bank. These tobacco dealers have business to the extent of Rs. 8 to 10 lakhs. These people have frequent dealings with the Imperial Bank by means of hundis and get a part of their advances from the Imperial Bank. There are other people too, who, though not often, get advances from the Imperial Bank. The Imperial Bank probably advances Rs. 3 to 4 lakhs annually in all. This I say purely upon guess, of course.

467. **Dr. Law:** Speaking of those people who deal in tobacco and get advance from the Imperial Bank, are they all Bengalis?—Only two are Bengalis, the rest are Marwaris.

468. **Dr. Sinha:** Do the indigenous bankers play any part in financing other industries?—Yes, jute industry.

469. There also the hundi system prevails?—Yes. So far as jute is concerned, these hundis are discounted by the Marwari bankers here. These Marwari bankers generally discount hundis of other jute dealers and make a payment.

470. Can you give us some idea about the amount of capital that is invested by these indigenous bankers?—I have already furnished a written statement. So far as my rural assessee are concerned, and they consist mostly of ordinary money-lenders (pure and simple) the total investment is Rs. 61,96,000. The 10 urban bankers have got a capital of Rs. 24,41,000 in investments.

471. **Dr. Law:** Without mentioning the name can you give us some idea about the amount of capital that is invested by any one of these bankers?—The biggest man here has got an investment of about Rs. 15 lakhs.

472. Is this amount his own capital?—Yes, mostly. He accepts some deposits occasionally, but this is not much, say Rs. 1 lakh or so.

473. Is the amount of deposit diminishing on account of the loan offices and co-operative banks?—Yes.

474. What is the rate of interest on deposit allowed by indigenous bankers?—The Marwaris give at 8 annas to 10 annas per cent. per month on deposits.

475. And the rate at which they grant loans?—That varies according to the nature of the security. When it is a mere note of hand they charge 18 to 37 per cent. for small loans. So far as the urban bankers are concerned, the rate is 18 to 24 per cent., and often compound interest, with yearly rests. In mortgage loans the rate of interest is generally low; it is 9 per cent., sometimes as low as 6 per cent.

476. Is the rest sometimes 6 monthly also?—Yes, sometimes.

477. **Dr. Sinha:** What classes of deposits do the indigenous bankers attract?—They sometimes accept deposits payable after a certain notice, generally not more than 6 months. They allow interest, say 7½ per cent. per annum upon them. But generally the Marwaris accept only current deposits.

478. What is the longest period for which deposits are attracted?—The longest period of notice is generally 6 months, but this also is very rare. Generally there is no fixed period, it is like current deposits, but requires a short notice of say, seven days.

479. **Khan Bahadur H. U. Ahmed:** Do they issue any pass book for these deposits?—No.

480. **Dr. Law:** Do they allow cheques to be drawn upon them?—Not ordinary cheques; but, they allow hundis to be drawn.

481. **Dr. Sinha:** Is the amount of income-tax paid by indigenous bankers in this district now smaller or larger than it was 5 years ago?—So far as the money-lenders of these two districts are concerned, it is decidedly declining, because they are withdrawing their money and investing the same in loan offices.

482. Does this apply to indigenous bankers as well?—No, they are rather flourishing.

483. **Dr. Law:** What is the reason?—Indigenous bankers have hardly been affected by the competition of loan offices, which generally have no hundi business, while so far as simple money-lenders are concerned, generally there is a prejudice against them both from the debtors and from the public. Owing to the Usurious Loans Act they fear that if their debtors go to court, the court will decide against them.

484. But so far as our information goes, the Usurious Loans Act is a dead letter?—You can have that information from the Munsifs. So far as small debtors are concerned, they generally do not go to court. But when they go to court it generally exercises discretion and often allows *kistibandi*.

485. **Khan Bahadur H. U. Ahmed:** Do you mean to say that the private money-lenders are declining as they find it difficult to realise their money?—Yes, that is also a reason.

486. **Dr. Sinha:** Could you tell us after making allowance for expenditure and losses, the net profit of these indigenous bankers?—So far as the urban bankers are concerned, their investment is partly in hundis and partly in mortgages. These people deal in bigger amounts and the rate of interest is necessarily low. In making our estimate of net profit of these urban bankers, we would estimate it at 10 per cent. of the investment.

487. **Dr. Law:** Are their expenses of management large?—For the indigenous bankers in towns they have their employees for this purpose, for collecting money and doing this and that. But this is not very large.

488. **Dr. Sinha:** Could you give us the amount of income-tax paid by the loan offices in this district?—If you like I may send you a statement showing the number of loan offices and the income-tax paid by them and also their net income.

489. **Dr. Law:** You have given us an idea about the rate of interest at which the indigenous bankers lend money, but what are the rates charged by the money-lenders as such?—Their rate of interest varies according to the nature of security. In mortgage loans 9 to 15 per cent. is charged, often compound interest with annual rests. In notes of hand, of course, the rate is very high. When their investment is in small loans, the rate is 2 pice per rupee per month, i.e., 37½ per cent. But this is not the maximum, and for paddy loans the rate is generally 50 per cent. There is a system called "deria" in which the stipulation is to take a maund of paddy and repay one maund and a half. Generally, the paddy is taken at the time of sowing and repaid after harvesting. There is also another system of paddy lending here. A maund of paddy is advanced at the time of sowing and it is repaid by instalments. The first instalment is for 1 maund and 10 seers and the second for 5 seers (the interest being approximately 15 seers per maund per year).

490. **Dr. Sinha:** Are paddy loans shown in notes of hand and other documents as ordinary money loans?—This is not generally done.

491. **Dr. Law:** When the interest is so high as 37½ per cent., is compound interest charged?—When there is no registered document,

simple interest is charged, but there are cases where compound interest is also charged.

492. Do they deduct any sum when giving their loans?—When an advance is made the debtor often gets 95 rupees, or even less, but he is to write a note of hand for 100 rupees; various sums such as *tahari*, *gadisalami*, etc., are deducted. The *amlas* also deduct something.

493. Can you give us an idea about the amount of capital that remains unemployed in the hands of the indigenous bankers during the slack season?—I do not think such a case occurs in this district. They find enough opportunities of utilising their money throughout the year.

494. **Khan Bahadur A. Haque:** Speaking from your experience as an officer, do you think that the accounts the *mahajans* generally keep are always correct?—So far as the big money lenders are concerned they generally keep their accounts correct, but the smaller money-lenders do not keep correct accounts always. This is because they do not know the proper system of accounting and also they often try to defraud the borrowers and also sometimes the Income-tax Department.

495. Are two sorts of accounts kept—one fictitious for production before the Income-tax Department and the other genuine for ordinary business?—While in charge of Dinajpur and Malda districts, I came across two such cases.

496. Do you come across such cases very often?—No. It is not always possible. They are very careful, as they know they will have to pay a heavy penalty for it.

497. You have given us figures of Rs. 62 lakhs as the capital of rural money-lenders and indigenous bankers who are your assesseees. What do you think would be the volume of business of the non-assesseees?—Of course in every village there are money-lenders who invest very small amounts say Rs. 50 or Rs. 100. People who have invested Rs., 2,000 or more can be taken into consideration. Roughly, we can say that there are 500 additional cases whose capital is Rs. 2,000 or more, but below the assessable income.

498. When you say it is below assessable income and above Rs. 2,000 may I take Rs. 5,000 to be their average capital?—Yes.

499. So I take it that Rs. 25 lakhs is the total volume of capital of those people who are not assessed but whose capital is not less than Rs. 2,000?—Yes.

500. **Dr. Law:** What is the basis upon which you are arriving at the figure 500?—That is from my experience only.

501. **Khan Bahadur A. Haque:** I take it that in the course of your official duty you have to find out the people who are on the margin of assessable income and therefore you have to keep information about those people?—Yes.

502. Speaking about the opening of the local branch of the Imperial Bank, do you think that apart from the extension of the business of the Imperial Bank itself, the public have got any advantage by the opening of this branch?—So far as the public are concerned, I think they have got no advantage, because the activities of the Imperial Bank are rigidly guided by the Imperial Bank Act.

503. You have said that the loan offices are in competition with the mahajans and the mahajans are thinking it more profitable to invest their capital in loan offices. How do they do this?—By deposits and purchases of shares.

504. Do you think it has been to the advantage of the country or not?—So far as the clients are concerned they find the dealings with loan offices better. These institutions are guided by laws, their accounts are published and they have to conform to certain rules.

505. From your experience do you think that it would be desirable to have some sort of control over the mahajans, say, by licensing them?—I have told you already that they are actually withdrawing their money, and investing in loan offices. If you discourage the activities of the money-lenders this tendency to withdrawal will be accelerated.

506. At present it is not always possible for the debtor to know how much he has paid to the money-lender?—If the debtor is literate, he can have the amount credited in his own document.

507. Is it always done?—No, it is not often done.

508. Supposing in place of the mahajans it is possible for the Co-operative Department to come in?—That will be welcome.

509. What according to you might be the total amount of paddy-lending business in this district?—It is more common in Dinajpur than in this place. I think about 20 per cent. of the money-lenders here have paddy-lending business. The investment in paddy would roughly be 36 thousand maunds.

510. Will you kindly let me know what percentage does the cash loan bear to the total amount of the paddy loan?—Most of the bigger paddy-lenders are our assesses. Generally these paddy-lenders are the jotedars. It will be rather difficult to arrive at a clear percentage.

511. **Khan Bahadur H. U. Ahmed:** We thank you for the valuable information that you have supplied to us.

Mr. A. K. W. Ahmed, M.A., Sadar Subdivisional Officer, Rangpur, and Chairman of the Rangpur Central Co-operative Bank, called and examined.

512. **Khan Bahadur H. U. Ahmed:** How long have you been at Rangpur as a Deputy Collector?—Since May, 1928.

513. What other districts have you been to in the course of your service?—I was in charge of the Narail Subdivision for 1½ years and I was at Noakhali for 1½ years, at Chandpur for the same period, at Brahmanbaria for 3 years, at Serajganj for 2½ years, and at Faridpur for 3 years.

514. Are you connected with the Central Co-operative Bank here?—Yes, as its Chairman.

515. Have you experience of any other central co-operative bank?—Yes, I was Chairman of the Narial Central Co-operative Bank.

516. **Dr. Law.** We have seen your written replies to the Questionnaire. From it, it would seem that you have taken loan offices for indigenous banks. I therefore want to elicit facts connected with each of these items separately. By indigenous bankers, we mean those who

receive deposits or deal in hundis and lend money. I want to know if there are any such indigenous bankers at Rangpur?—Some Marwari merchants here are engaged in such business and there are some tobacco brokers within the Sadar subdivision, who also receive deposits and issue hundis occasionally.

517. In answer to question 3 of Part II you have said, "Rs. 5,000 to Rs. 10,000 to start with." That applies to loan offices. Can you give us an idea as to the amount of capital that the biggest of local indigenous bankers employ? Have they got capital earmarked merely for banking business?—They employ their capital mostly in trade and partly in money-lending.

518. Can you give us an idea of the proportion in which their capital is employed in the two portions of the business?—About 20 per cent., I suppose, in money-lending and 80 per cent. in trade.

519. Do they lend money to agriculturists?—They advance money on the standing crops.

520. Is that done in tobacco?—Yes, in tobacco as well as in jute.

521. Do they stipulate at the time of making the advance that the crops must be sold to them?—Yes.

522. What is the current price of jute?—Rs. 10 per maund. There are great fluctuations in the price of jute from year to year. But so far as tobacco is concerned, the fluctuation is not much. It is only Rs. 2 or Rs. 3.

523. In question 5 (iii) you say, "current deposit apply to indigenous bankers"?—No, the answer applies to loan offices.

524. Does your answer to question 6 apply to loan offices or to indigenous bankers?—It applies to money-lenders and not to loan offices.

525. What are the rates charged by them?—Half an anna to 1 anna per rupee per month. The answers given by me under "Part II—Indigenous Banking" really refer to loan offices and in some cases to money-lenders.

526. Can you give us an idea as to the rates of interest charged by them?—12½ to 25 per cent. per annum.

527. You have said that the rate of interest is 12½ to 25 per cent. How can the profit be much more than this? You put it as 200 per cent. in answer to question 9.—It is a mistake. I think it should be 20 per cent.

528. You have said that legislation within a reasonable period is necessary. But there is already the Usurious Loans Act. Do you want further legislation? If so, why?—Yes, because sometimes bonds are taken for larger amounts than are actually advanced to the debtor by mutual agreement. The rate of interest should be legally fixed.

529. **Dr. Sinha:** If you reduce the rate would that not increase mud?—But there should be a provision so that the court can go into that question.

530. Referring to co-operative sale and supply societies, you have said in answer to question 2 (iii), Part I, "Yes, only one has just been registered." What commodities does it deal in?—Jute and tobacco. It has only been registered and has not yet begun work.

531. In (vi) (a) and (b) of the same question you say, "They practically seem to play no direct part." Do you mean to say that the indigenous bankers also play no part?—Big merchants transact business through the Imperial Bank. Indigenous bankers play very little part.

532. In question 2 (xvii) you say, "these things are practically unknown in this locality." Is there no system of advancing on railway receipts or something like that?—Not that I know of.

533. Kindly refer to your answer to question 5 (x) ".....the rate of interest varies from 37½ to 60 per cent." We have heard that in some cases they charge lower rate?—Yes, but the majority charge 37½ per cent.

534. You say in answer to question 6, "Manufacture of hessians with the local jute and of cigars and cigarettes....." Is that in existence here?—No, not here.

535. **Dr. Law:** You have referred to cigars and cigarette companies?—This is a suggestion. They may be encouraged.

536. In answer to question 2 (viii) you have said, "nil." Why have you said so?—Because by "internal remittance" I understood remittance within the same subdivision.

537. What will be your answer to the question now when we say that by internal remittance we mean remittance from one part of India to another?—There are some facilities.

538. You say in answer to question 2 (x), "No part played." But you have just now said that there are hundis. Will you elucidate that answer?—The answer will have to be revised.

539. You have said that agricultural indebtedness is increasing. Is there any basis for your answer?—My answer is not based on any calculation. I say this from my experience.

540. **Khan Bahadur A. Haque:** I find in your answer to question I (iv), "Yes, something like 10 lakhs of rupees." Is that not a very under-estimate?—Yes.

541. You have said that general indebtedness is increasing. You have said in another part that the people are not getting full price of jute and tobacco. Has not the one got some connection with other?—Probably there is some connection between the two, but even then, thriftless habits of the people lead to indebtedness.

542. Have you tried to find out the reasons why the debts are increased?—Primarily, for the purchase of cattle at the time of sowing and then for their maintenance. Also on occasions like marriage or Fateha they borrow to spend.

543. Is the largest part of the debt due to these primary reasons?—Yes.

544. If the largest part of the debt is due to primary reasons, i.e. if it is incurred to maintain themselves and to buy cattle for the purpose of cultivation, then is it not hard to say that they are thriftless generally?—Yes.

545. Will not the condition of the people of this district as well as their credit facilities improve if they get some subsidiary industries provided for them?—Yes.

546. And do you not think that Government should help in this respect?—Yes, Government should help, but in what way I cannot say.

547. What is the reason for liquidation of rural co-operative societies?—Office bearers sometimes take most of the money and then they find it inconvenient to repay and they even try to evade repayment.

548. Has the Co-operative Department up till now attempted to deal with this problem?—No.

549. Do you think that the inspecting staff of Government is adequate to fully meet the needs of the co-operative societies to-day?—No, I do not think so. The Department is understaffed.

550. There is a complaint against the co-operative societies that the joint liability is a very bad thing?—Not bad, but it deters people from joining it.

551. Don't you think that it has a very salutary effect on the conduct of the borrowers?—Yes, otherwise there will be no co-operation.

552. Would not unrestricted giving of loans make the economic condition of the agriculturist worse?—Yes.

553. Some loan offices give loans to individual members of agriculturist class. What is your opinion about that?—That will affect their economic condition badly.

Mr. M. B. Roy, Deputy Collector in charge of the Court of Wards, called in and examined.

554. **Khan Bahadur H. U. Ahmed:** How long have you been in this district?—For the last two years. Previous to this I had been in four districts. Here I am at present in charge of the Court of Wards estates. There are some very big estates in this district under the Court of Wards. The approximate income of these estates is about 10 lakhs.

555. How many years have you been in service?—For the last 14 years.

556. **Khan Bahadur A. Haque:** Can you give an estimate of the total amount of capital required for the various purposes stated in question 1 (i) of Part I for your district or province?—According to my estimate it is Rs. 3 crores 17 lakhs. There are 317 union boards—average number of villages in each union is 10; 40 cultivators in each village having 2 bighas of land. They would require Rs. 250 for carrying on cultivation. From these figures I estimate the above figure.

557. **Dr. Law:** You have given us a note from which we find that the Usurious Loans Act has practically brought no relief?—The agriculturists do not take advantage of it. They do not get relief even from the law courts. A rate of interest so high as 36 per cent. is never considered usurious by the courts, but the cultivators can hardly pay this.

558. **Khan Bahadur A. Haque:** Has there been any improvement of agriculture in the khas mahals?—It has not made much progress because of the conservatism of the cultivators and want of a general standard of knowledge.

559. **Dr. Law:** What is your view with regard to the abuses and corruptions of the mahajans?—They are very unscrupulous.

560. Have you any suggestions to offer for controlling the transactions of these mahajans?—The only check that you can impose upon them is to ask them to present the books before certified auditors periodically.

561. But as a preliminary to that, is it not necessary to have a list of all the money-lenders?—Yes, as a preliminary step we can get such a list prepared in each village. It will be possible to have a list of the mahajans, compelling them to take licence by legislation, if necessary.

562. You are aware of the recent change in the Bengal Tenancy Act about transfer of holdings?—Yes, the change is only a theoretical one. The difficulty of transfer stood in the way of the mahajans' getting their property. But there still remains certain difficulties to be met with. The liability of the transferee as well as the transferor jointly remains, when part-transfer of a holding takes place.

563. If the former pays a fee, the landlord is bound to recognise him as well as the original tenant?—Yes.

564. What is the probable result of the freedom to transfer?—Of course it has increased their facilities but also paved the path for ruin because of their illiteracy and improvident habits. Formerly there were restrictions, now they are free to transfer their lands whenever they want to obtain money for some festival. It has been to the benefit of the mahajans, formerly it was an obstacle.

Mr. R. Palit, Superintendent of Post Offices, Rangpur and Bogra districts, called and examined.

565. **Khan Bahadur H. U. Ahmed:** In how many districts have you served during your official career?—Previous to my present charge I was in charge of the Faridpur Postal Division, before that in the Narayanganj Postal Division. I held charge of all the postal divisions in the Northern Bengal, for instance, Rajshahi and Pabna districts, Bogra and Rangpur districts, Jalpaiguri and Cooch Behar districts, Dinajpur and Malda districts. I was also in charge of the Murshidabad and Birbhum postal districts, Nadia district, 24-Parganas district (Presidency Division), Calcutta Divisions—Central and South and Sorting. I also held charge of the Upper Assam Postal Division consisting of Dibrugarh and Jorhat districts and of the Lower Assam Postal Division consisting of Tezpur, Nowgong, Gauhati and Dhubri districts. I also worked in the "C" Division of the Railway Mail Service.

566. For how many years you have been in this service?—Since 1916.

567. **Dr. Sinha:** You know that tobacco is an important crop of this district. We understand that a large amount of money is remitted through post offices. Can you give us an idea?—I can't give you the figures now, but I shall try to send them later on. But I may tell you that so far as the tobacco trade is concerned, the entire money is not remitted through post offices. This is done partly through the banks, partly by insured post, partly by money orders. So any figures that I can supply will not be of much help to you.

568. What class of people purchase postal cash certificates?—Only the middle class. When the cash certificates were first introduced

we made some agriculturists purchase the cash certificates, but in the long run it did not become popular with them. It became popular with the middle class people, who soon realised the advantages of this form of investment.

569. Could you suggest any step to increase its popularity among the middle class and among the masses?—I would suggest that more pamphlets printed both in English and in the vernacular of the district may be distributed broadcast among the people both in towns and villages so that the advantages of the cash certificates may be very widely known. My second suggestion is that a small commission, say $\frac{1}{2}$ per cent., may be given to the Postmasters or clerks dealing with cash certificates, or to the postmen who will bring in business to the post office. My third suggestion is that the holders of cash certificates may at their option be allowed to hold them after maturity for a further period not exceeding 30 years and interest will be allowed on them at the rate of 2 annas on cash certificate of Rs. 10 denomination for every completed 3 months after maturity. At present the holders of cash certificate issued prior to 1st April 1926 are allowed to hold them for a further period of 5 years after maturity. If my suggestion is accepted people who would like to invest for a longer period than 5 years, say for 15 or 20 years, with the option of discharging them any moment they like, will find this form of investment very convenient. This step will at once increase the popularity of cash certificates.

570. Have you any special suggestion to make for increasing the popularity among the agriculturists?—I have not thought much over the matter. But I suppose it is by propaganda that we can make them popular among the agriculturists.

571. Are cash certificates now sold in branch offices?—Yes, in all branch offices doing Savings Bank business. When an application is presented at a branch office the cash certificates are obtained from its account office, i.e., from the head or the sub-post office to which it is subordinate.

572. Will agriculturists be able to understand the pamphlets?—That is why I suggest that postmen, for instance, may explain the advantages of the cash certificates to the villagers when they go to the villages to deliver letters; and when they can bring in business they will get commission.

573. It has been suggested to us that the present rate of interest for cash certificate is rather low and it ought to be raised. What is your opinion in the matter?—I think the purchase price of cash certificate for Rs. 10 should be Rs. 7-8 as it was between the years 1923 to 1926. During that period the sale of cash certificates increased very much. In Bengal and Assam the amount realised by the sale of cash certificates was Rs. 1,46,74,200 in the year 1923-24, Rs. 1,23,17,613 in 1924-25, Rs. 1,93,23,735 in 1925-26 against only Rs. 21,81,500 in 1919-20, Rs. 13,25,583 in 1920-21, Rs. 11,44,752 in 1921-22, Rs. 19,89,153 in 1922-23.

574. Can you give us the actual figures of sale and discharge of cash certificates as well as the total amount of interest paid, each year, in Bengal, since 1919?—I can give you the figures of Bengal and Assam, also of the all-India (handing over a slip).

575. I understand that the present limit of cash certificates to be held by one person is Rs. 10,000. Are you in favour of changing the

limit?—In my opinion the limit should be raised to 20 or 25 thousands; but there should be a limit, otherwise speculators will be attracted.

576. Do you think that the present rate of interest on postal savings bank deposits requires any revision?—I think the rate should neither be increased nor decreased; we are getting good business at the present rate of interest. The entire amount of deposit in the Post Office Savings Bank is practically "at call." As such, the 3 per cent. interest which the post office pays on this "current account" is considered to be quite sufficient, especially as the investment in the post office savings bank is absolutely safe and secure, the entire amount of deposit being guaranteed by the whole revenue of the country. Even the Imperial Bank of India does not pay more than 3 per cent. on the savings bank account in which withdrawal is allowed once a week.

577. The present limit with regard to deposits in postal savings bank is Rs. 750 a year and Rs. 5,000 is the maximum limit. Do you want to change the limit?—Yes, I am certainly in favour of extending the limits. The maximum limit of Rs. 5,000 was first fixed sometime in 1879. Since then there has been a tremendous decline in the value of money. Therefore the limit which was fixed at that time cannot possibly hold good now. Even the present-day middle class men cannot keep more than a part of their savings in the Post Office Savings Banks simply because of these arbitrary limits. The post office must move with the times if it wants to attract a considerable portion of the poor men's and middle class peoples' savings, i.e., if it wants to attract deposits which now unwillingly and with a considerable anxiety go to ordinary banks which cannot afford the same amount of security. In my opinion the yearly limit should be fixed at Rs. 4,000 and the maximum should be at least Rs. 10,000, if not more. It may even be fixed at 15 thousands. But there must be a limit just to keep off the speculators and to avoid a run on the Post office savings banks by such class of investors.

578. Should withdrawal of savings bank deposit be permitted more than once a week?—Yes, withdrawals more than once a week may be allowed as in banks. Even daily withdrawals, i.e., not more than once a day may be permitted as in England. This will not involve any difficulty; on the other hand it will popularise the Post Office Savings Bank.

579. Is it true that in branch post offices there is often a great delay in the repayment of deposit which a depositor wants to withdraw?—Yes, that is correct; under the existing rules the withdrawal form when tendered at the branch office is sent on to its account office for necessary orders; there the warrant of payment is passed by the postmaster; then it is returned to the branch office along with funds for the purpose; then the payment is effected. So there is usually a delay of 3 days. Personally speaking, this delay, I think, can be avoided in some of the branch offices, i.e., those situated at police stations, if they are vested with "Independent Savings Bank Powers." In such cases sufficient funds can be kept at the branch offices and the specially selected and tried branch postmasters can be allowed to pass the warrants of payment and cause immediate payment of withdrawals. In non-police stations we cannot keep a large amount of money at the post offices; therefore the delay in these latter post offices cannot be avoided.

580. Is it true that sometimes a branch postmaster refuses payment to a depositor who is personally known to him because the signature does not tally with the one kept at the head office?—Yes, the signature matter is rather rigid. But the rule is that if the depositor is personally known to the local Postmaster, he can attest the signature or obtain fresh specimen signature and then forward the application for withdrawal to the Sub-Postmaster who will not then raise any objection.

581. It has been suggested to us that the depositors in a particular Savings Bank should be allowed to deposit at or withdraw from, any other Savings Banks. What do you think about the proposals?—So far as the deposits are concerned the existing rules are that the depositor of an account standing open at a head office or a sub-office under it may deposit at any other sub-office under the particular head office. Similarly the depositor of an account standing open in a branch office may deposit at its sub-office or any other branch under the particular sub-office. This rule has worked with success and in my opinion time has now come when further facilities may be extended to the depositors. They may be allowed to deposit at any sub or Head post office within the same postal circle. I don't suppose there will be much working difficulties. The head or sub-office concerned may adjust it by book transfer showing it as a remittance to the sub or head office concerned where the account stands open and this latter head office may at once acknowledge the amount. If the depositor does not receive the proper acknowledgment within a reasonable time he should at once lodge an urgent complaint with the proper authorities. The acknowledgment will be guarantee about the safe credit of money in his account. As regards withdrawals, the existing rules are that the depositor's signatures on the application form as well as the balance at credit of the depositor as noted in the pass book must before any payment of the money is made, be verified with the specimen signatures and the journals or ledgers which are kept at the post office where the account stands open. Therefore, immediate withdrawals from any other post office will mean payment without such verification. This is fraught with dangers. But the extension of this facility to the depositors of the country is very much needed; in fact, it is overdue and the post office in India must devise some means to make this practicable. In my opinion the difficulty can be overcome if literate and wellknown depositors are allowed to buy "identification cards having depositors' latest photograph and specimen signature duly attested and stamped (with oblong m.o. stamp) personally by the Postmaster of the office where the account stands open. On production of such identification cards the depositor may be allowed to withdraw not more than one-tenth of the "certified" balance at credit of the depositor from any other head or sub-office within the Postal Circle. If this proposal works satisfactorily further extension of facilities in this respect may be possible later on. If the Postmaster receiving such withdrawal application doubts the genuineness of the figures in the pass book he can verify by telegraph to the office where the account stands open. In the United Kingdom a depositor can on presenting his deposit book at any post office savings bank immediately withdraw a sum not exceeding £2.

582. What are the difficulties standing in the way of post offices serving as a place of safe custody for valuables on the receipt of a small fee?—This is not possible. We have no strong room in most of our post offices. Even where we have, we don't keep our valuables, as there

are no armed guards. We keep post-office valuables at the treasury or thana.

583. I understand that you have strong rooms in your head post offices. What do you keep there?—Cash and stamps temporarily, i.e., only during day time.

584. Is it true that post offices in Calcutta some times make payments of money-orders for large sums by cheques on Imperial Bank?—Yes, whenever convenient.

585. You also accept cheques for purchase of cash certificates?—Yes, we do.

586. Are you in favour of the proposal that post offices should receive a cheque on the local branches of the Imperial Bank under the same conditions under which you receive cheques for selling cash certificates and credit the same for a savings bank deposit?—I do not find any objection to this proposal. Deposits can be made either by open or crossed cheques. But the pass book should not be returned to the depositor unless and until the cheque is cashed. If the cheque has been drawn on an out-station bank, the matter can be adjusted by showing the amount as a remittance to the Head Postmaster of that station and when the acknowledgment of the amount after the encashment of the cheque is received the pass book may be delivered to the depositor. In the case of crossed cheques they must be drawn in favour of the Postmaster of the place where the bank named is situated and the necessary commission to be charged by banks for realising the value of cheques may be recovered from the depositor.

587. Do you consider it feasible that selected post offices especially in districts and subdivisional headquarters may open current accounts for the general public withdrawable by cheques?—No, this is not feasible since it is indispensable that the pass book should be produced before any withdrawal is allowed. When you draw a cheque on the post office savings bank in favour of somebody it cannot be cashed for the simple reason that neither the pass book nor the application for withdrawal will accompany the cheque which will be presented by the person in whose favour it has been drawn. As matters now stand, the production of the pass book cannot be dispensed with.

588. Have you any other suggestion to make for increasing saving bank facilities in this province?—Yes, I would suggest—

- (1) that the vernacular pass books be more freely issued to the depositors who do not know English;
- (2) that more than one account be allowed to be opened by a depositor having transactions at various places;
- (3) that the depositors may be allowed to assign their savings bank accounts in case of death; and
- (4) that accounts may be opened by two persons jointly.

589. Have you any other suggestions for increasing banking facilities through the agency of post offices?—No, I have none.

590. **Khan Bahadur A. Haque:** Mr. Palit, can you just let us know the total number of savings banks, the total number of accounts and the

balance, year by year, in Bengal?—Yes, I can give you the figures of Bengal and Assam since 1919-20 (handing over a statement). I can also give you the figures of all-India since 1882-83 (handing over another statement.)

591. **Dr. Law:** What do you do with the money you get as deposit in postal savings bank? How do you invest it?—I am not sure, but it is utilised by the Government of India, e.g., in meeting Council Bills. The Government do not keep any special reserve against this Savings Bank deposit.

592. **Khan Bahadur H. U. Ahmed:** Mr. Palit, we are much obliged to you for your kind assistance to-day.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

January 30th, 1930.

PRESENT:

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. J. C. SINHA.

DR. N. N. LAW.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

RAI BAHADUR BADRIDAS GOENKA, C.I.E., M.L.C.

MR. J. C. CHAUDHURI (*Secretary*).

The following five representatives of the Indian Chamber of Commerce were called and examined:—

Mr. Anandji Haridas of Messrs. Anandji Haridas & Co., Ltd.

Mr. H. P. Bagaria of Messrs. Birla Bros., Ltd.

Mr. M. C. Raisurana of Benares Bank, Ltd.

Mr. R. L. Nopany of Messrs. Daulatram Rawatmull.

Mr. M. P. Gandhi, Secretary.

593. **Chairman:** In your answer to Question I of Part I of the Questionnaire (vide Appendix I of your Memorandum) I find that Indian merchants import 60 lacs of bales of jute into Calcutta, whereas a few paragraphs below you have stated that the maximum quantity held by Indian jute merchants in the busy season is 60 lacs of maunds, i.e., 12 lacs of bales. Do you mean that the average maximum quantity held at any time is 1/5th of the total import?—(*Mr. Bagaria*) Yes.

594. **Dr. Sinha:** How do you arrive at 12 lacs of bales?—(*Mr. Bagaria*) I have consulted many jute merchants and have arrived at the figure from the following calculations:—

	Lacs.
Stock in the mufassal in the hands of Indian merchants ...	5
Transit	2
Stock in the press-house, boats, Hatkhola, Cossipore, Fulbagau and other jute markets	5
Total ...	12

With reference to the first item there are nearly one hundred jute centres and there are more than two hundred jute merchants engaged in the import trade, and the figure of 5 lacs, therefore, is probably a modest estimate.

As regards the second item, the monthly imports during the busy season are about 18 lacs of bales. Some of these are brought down by flats and some by rail. The flats take 7 days to a month to reach Calcutta, while the goods carried by the railway company are brought down in a lesser time. But on an average there cannot be less than 3 lacs of bales in transit during the busy period. Out of this at least 2 lacs must be on the account of Indian merchants.

As regards the stock in the press-house and the various jute markets in Calcutta and the stocks lying in the boats awaiting shipment, several firms publish these figures and they are as high as 6½ lacs of bales at times. Out of this, I think, about 5 lacs are held by the Indian merchants in the Hatkhola and Cossipore markets. No European merchants store their jute in these markets.

595. In your reply to Part I, Question 1, you refer to "unfair advantages which European jute merchants get at the hands of European Mill Agents." What are these unfair advantages?—(*Mr. Bagaria*) The jute mills do not pay the same price to the Indian merchants as to the European balers, for the same quality of jute. Most of the European jute importers combine brokering with import. They are thus able to save 1¼ per cent. brokerage while Indian merchants have to pay to the European brokers through whom they have to sell. Indians are not allowed by most of the mills to call on them to sell their jute. Besides, when the prices are favourable Europeans can sell their jute, but Indians can sell only when European sellers are out of the market.

596. **Rai Bahadur Badridas Coenka:** Do the Indian merchants experience any difficulty when their jute is sent to Calcutta by steamers of Indian-owned companies?—(*Mr. Bagaria*) Yes, no advance is given by the jute mills against bills of lading issued by such companies, and certain mills incorporate a condition in the contract that goods are to be transported by particular companies only.

597. Would Birla Brothers, Ltd., advance money on goods shipped by steamers of Indian companies?—(*Mr. Bagaria*) According to an agreement entered into by the Indian Jute Mills Association with the European-managed transport companies no member of the Jute Mills Association can accept bills of lading of any other company, and therefore Birla Jute Mills as members of that Association cannot advance against such bills of lading.

598. **Khan Bahadur Azizul Haque:** I take it that the combination of jute mills not to purchase jute imported by Indian Steam Companies adversely affect the price of such jute?—(*Mr. Bagaria*) Yes, but to the very small extent of about 2 annas per maund. If the importers have to pay the transport charges of the Indian-owned company they would be in a position to pay in the mufassal to the extent of about 2 annas higher than what they do at present.

599. Is there any resolution of the Indian Jute Mills Association for discrimination against Indian Steamer Companies?—(*Mr. Bagaria*) No, it is by an agreement in writing between the members of the Association.

600. How long has this been going on?—(*Mr. Bagaria*) For the last 7 years.

601. **Rai Bahadur Badridas Goenka:** I understand that European Insurance Companies demanded higher rates for insuring jute shipped by Indian Steamer Companies. Is it done now?—(*Mr. Bagaria*) As the mills do not accept any jute shipped by Indian Steamship Companies, the question of insurance does not arise.

602. **Dr. Law:** Do the Exchange Banks hesitate to advance money against bills of lading of Indian Steamer Companies?—(*Mr. Bagaria*) No advance is ever taken by jute merchants against bills of lading. In case jute has been sold to the mills in Calcutta, bills of lading are tendered against the contract and the mills buy against them.

603. **Rai Bahadur Badridas Goenka:** In your answer to Part I, Question 2 (in Appendix 1), you say that the sellers begin to tender jute of No. 1 standard against sales of No. 2, when the mills stop buying No. 1. Suppose you have been given standards, and then if the mills refuse to buy No. 1, what will you do with it?—(*Mr. Bagaria*) It is not a question of the mills not buying No. 1 which is the best quality of jute. They continue to buy that quality, but they begin to designate it by another name of a lower quality. For example if 1's, 2's, 3's and Rejections are the current grades of jute in the season what the mills do is that after buying a little jute they stop buying No. 1, and they start a lower grade below Rejections which we may, for example, call Cross Rejections. The result is that the quality of the grade No. 1 is automatically raised and No. 1 begins to be known as No. 2, although the price for No. 2 remains the same. This means that the jute which used to fetch a higher price begins to sell at a lower price.

604. You cannot force the mills to buy No. 1 against their will?—(*Mr. Bagaria*) We cannot force the mills to buy anything against their will, but the situation at present is that they begin to buy the same quality of jute which used to sell at a higher price under a different name for which the price is lower. This is due to there being no proper description of the grades.

605. Your point is that you are forced to raise the standard because the mills will not buy the higher grade of jute?—(*Mr. Bagaria*) The sellers have to do it because no definitions of the various grades are embodied in the contract. It depends upon the will of the buyers as to what they will call No. 1 or No. 2 and so on. The sellers do not raise the standards. It is the buyers who do so. For example, if jute out of which 80 per cent. hessian warp could be spun was known as No. 1 in the beginning of the season the same thing begins to be styled by the buyers as No. 2.

606. Will it not help if you could standardise it?—(*Mr. Bagaria*) I do not understand what do you mean by standardising it. What we want is that the various grades should be clearly defined and that definition should not be subject to a change by either party unless mutually agreed upon.

607. So your point is that these grades should be fixed once for all and there should be no standard lower than Rejections?—(*Mr. Bagaria*) Yes. We do not mind what names are decided upon, but what we want is that the standards should be fixed once for all and that the respective qualities of the various standards should not be liable to a change.

608. **Khan Bahadur Azizul Haque:** In your reply to Part I, Question 2, you say "this manipulation means loss of several crores of

rupees to the jute cultivators." I wish to be enlightened on this.—(Mr. Bagaria) Jute mills in Calcutta are able to so manipulate the standards that there is a hidden fall in the price of jute. The quality of jute in each grade varies according to their will resulting in an appreciation in the standard of jute. Jute of a superior quality than is originally agreed upon has to be tendered against the contracts.

609. To what extent is the cultivator losing?—(Mr. Bagaria) It will be very difficult to estimate it correctly, but approximately it must be about 3 crores of rupees per annum calculated at Re. 1 per maund for 3 crores of maunds purchased by the Calcutta mills.

610. **Dr. Sinha:** In your reply to Part I, Question 1, you say that the Europeans are able to get assistance from the Imperial Bank on hypothecating the stock of jute lying with them in their mufassal godowns. Do the Europeans get such assistance from the Calcutta office of the Imperial Bank or its branches in the mufassal?—(Mr. Bagaria) From the Calcutta office as well as from mufassal branches.

611. **Dr. Law:** How is jute hypothecated?—(Mr. Bagaria) There is a general hypothecation of the stocks in the mufassal godowns.

612. **Khan Bahadur Azizul Haque:** Do you mean to say that respectable Indian dealers get no financial facilities from the Imperial Bank?—(Mr. Bagaria) Not even the most respectable dealers.

613. **Dr. Sinha:** What are the reasons for this lack of facility?—(Mr. Bagaria) The fact is that European officers of the Imperial Bank do not trust the Indian businessmen to the same extent as they do European firms. In case there is even an insignificant failure of an Indian firm all Indian businessmen are looked upon with distrust, and apprehensions are raised in the minds of the European Managers regarding their financial standing. The average European mentality in this respect can be seen from the attitude of the European business houses. Many of the European-managed jute mills, whilst they will sell to European export houses, about whose financial position nothing is known, refuse to sell to Indian firms of first-class standing. Recently when an Indian firm failed to pay for its delivery orders, one jute mill refused to part with delivery orders even in the case of first-class firms of undisputed financial standing, unless payment was made in cash. One big European export and import firm until recently refused to part with its sugar delivery orders unless the cheque was certified by the bank on which it was drawn, and that firm would not pay for hessian delivery orders registered in the name of an Indian buyer unless the orders were transferred to its name. I am giving all these instances to show that the European business community in Calcutta looks upon Indian firms with distrust without any reasonable cause, and the European Bank Manager, whether of Imperial Bank or of any other bank, is only a member of that community. His decision is influenced by what he hears at the clubs from other members of his community.

614. **Khan Bahadur Azizul Haque:** Can you give us a concrete example?—(Mr. Raisurana) Mr. Galstaun was advanced Rs. 20 lacs on the security of a second mortgage of the Galstaun Mansions in the face of a surviving mortgage to another Insurance Company with the foreclosure clause.

615. **Dr. Sinha:** Would an Indian Bank advance money to a constituent on the same terms on which the Imperial Bank refuses to grant loans?—(*Mr. Bagaria*) If they have got the resources they will certainly do.

616. **Rai Bahadur Badridas Coenka:** But what would your answer be leaving out the question of resources?—(*Mr. Bagaria*) I am sure no Indian bank would refuse the advance.

617. Does the Imperial Bank refuse advances because the Indian merchants are not sufficiently trustworthy?—(*Mr. Nopany*) That is not the point. The Imperial Bank trusts Europeans qua Europeans and not Indians. (*Mr. Bagaria*) So far as the financing of the export trade and of jute is concerned, all the Exchange Banks, with 1 or 2 exceptions, are more liberal towards Europeans than Indians.

618. **Khan Bahadur Azizul Haque:** Is it a fact that in times of crisis there is nobody to help Indian banks?—(*Mr. Bagaria*) Yes.

619. **Dr. Sinha:** In your answer to Part I, Question 1, you have asked for special facilities to indigenous bankers for rediscounting their bills. What exactly are the facilities you want?—(*Mr. Bagaria*) In the busy season merchants require considerable financial help to move the goods by the importers. For this purpose financial facilities should be available to them on the security of bills drawn by bonafide merchants and countersigned by an indigenous bank.

620. **Chairman:** Will there be any bill of lading attached to these bills?—(*Mr. Bagaria*) No.

621. **Rai Bahadur Badridas Coenka:** Do you think it advisable for the banks to advance money on such security?—(*Mr. Bagaria*) Yes. I know it from my experience of jute trade that for all jute goods that we export from Calcutta, the buyers in the foreign countries pay for the goods purchased by them several months after the goods are actually in their hands. If the banks in foreign countries can trust their businessmen, there is no reason why Indian businessmen cannot be trusted by Indian banks.

622. **Dr. Sinha:** In the next paragraph you say that there should be a special bank for financing jute. What exactly would be the chief functions of this bank? Why do you propose a special bank only in one commodity and that of a high fluctuating value?—(*Mr. Bagaria*) I do not agree with you there. Jute is not so fluctuating as cotton, shellac, etc.

623. **Chairman:** What would the bank do during the slack season?—(*Mr. Bagaria*) I say, it should not deal exclusively in jute. It is only during the busy season that it should restrict its attention to jute only.

624. **Khan Bahadur Azizul Haque:** Is not the jute market very fluctuating? What price have you been getting for the last 2 or 3 years?—(*Mr. Bagaria*) Leaving aside the abnormal high price that prevailed some 4 years back we have been getting Rs. 60 to Rs. 70 per bale.

625. **Rai Bahadur Badridas Coenka:** Does the East India Jute Association partake of the nature of a futures market?—(*Mr. Bagaria*) Yes, it is incorporated on the lines of the East India Cotton Association of Bombay.

626. How many delivery months are there?—September, December and March.

627. Can you tell me the amount of transactions done daily?—It is not possible to do so as the transactions are not registered, but from the Clearing House records of the payment of margins I can say that at no time more than 2½ lacs of bales is outstanding.

628. **Dr. Law:** You have said that in order to finance the jute moved from the mufassal to Calcutta by Indian merchants a sum of 6 crores of rupees is required. How do you estimate the amount?—(*Mr. Bagaria*) I have already stated that the maximum quantity of jute held by Indian merchants during the busy season is about 60 lacs. At an average price of Rs. 10 per maund, the finance required by them is about 6 crores of rupees. As regards the other articles, for which we have prepared an estimate and the total amount of finance required by the Indian merchants to finance the ordinary trade, we have generally taken three months' consumption as the quantity which requires to be financed by the merchants. The general practice in Calcutta is that those who are engaged in exporting commodities from Calcutta to the mufassal sell on credit and the customers pay after they sell the goods in the mufassal; in this way a considerable quantity, which in our opinion cannot be less than three months' consumption, requires to be financed by the merchants.

629. In the list you have included tea and coal. How are indigenous bankers concerned in these?—(*Mr. Anandji*) Coal merchants are financed by indigenous bankers.

630. Do they go to indigenous bankers and borrow money at a high rate of interest?—(*Mr. Anandji*) Yes.

631. How does tea come in?—(*Mr. Gandhi*) Indigenous bankers finance some tea gardens also.

632. **Dr. Law:** You say that so far as big industries are concerned only 2 crores of rupees are advanced by the Imperial Bank or joint-stock banks. How do small industries fare in this respect?—(*Mr. Anandji*) They do not get any assistance at all. (*Mr. Gandhi*) Many instances could be cited of such industries as have failed to get any help.

633. You say in your reply to Part I, Question 6A, that rice mills in Calcutta are financed mainly by promoters or indigenous bankers. Can these mills make any profit after paying a high rate of interest to indigenous bankers?—(*Mr. Anandji*) No, they are not flourishing.

634. How do the indigenous bankers find it profitable to lend money?—(*Mr. Bagaria*) They know the people they are dealing with.

635. On what security do they lend money? On block and property?—(*Mr. Raisurana*) It all depends upon the credit of the borrower. The indigenous bankers who advance money against hundis are not able to get full financial facilities from the banks.

636. You say the rate of interest on Muddati hundis ranges from 4 per cent. to 18 per cent. What is the rate that is usually charged?—(*Mr. Raisurana*) Generally, 1 per cent. above bank rate.

637. **Chairman:** Is this 4 per cent. per annum?—(*Mr. Raisurana*) Yes.

638. **Dr. Sinha:** What rates of interest do indigenous bankers pay on deposits?—(*Mr. Raisurana*) Four annas to eight annas per cent. per mensem.

639. **Dr. Law:** We have been informed that indigenous bankers in the mufussal are not receiving deposits to the extent they used to get in former times. What is the reason?—(*Mr. Raisurana*) It is to a great extent due to the competition of the joint-stock banks and the very high rate of interest offered by the Government of India in the shape of Postal Cash Certificates, etc.

640. **Khan Bahadur Hemayetuddin Ahmad:** Are you in favour of giving more facilities to Post Office Savings Bank?—(*Mr. Bagaria*) No.

641. **Khan Bahadur Azizul Haque:** By indigenous bankers you mean those who receive deposits?—(*Mr. Bagaria*) We include all those persons who do the business of financing.

642. To whom would you give more facility—to the village mahajans or the Postal Savings Bank?—(*Mr. Bagaria*) The village mahajans.

643. **Khan Bahadur Hemayetuddin Ahmad:** Which institutions would you prefer for investment—co-operative banks, mahajans, or Government?—(*Mr. Bagaria*) We prefer co-operative banks and mahajans because money invested with Government does not ordinarily return to finance the trade of the community.

644. **Khan Bahadur Azizul Haque:** Is it not a fact in every district there are a few indigenous bankers in the headquarters?—(*Mr. Anandji*) Yes.

645. You are in favour of a machinery being created which might finance local trade?—(*Mr. Anandji*) Yes.

646. Supposing there is a Reserve Bank, would you favour the Reserve Bank undertaking such financing?—(*Mr. Raisurana*) Reserve Bank should be an apex institution. Village credit societies should obtain finance from district banks and these from the provincial banks, which would ultimately draw from the Reserve Bank. Local deposit must be attracted by local societies.

647. Would you recommend legislation for Kabulis or men who deal like Kabulis?—(*Mr. Bagaria*) Yes. We want legislation to prevent them from plying their trade as, besides charging a very high rate of interest, they resort to barbarous methods in recovering their loan from the illiterate poor people.

648. **Dr. Sinha:** You have said, these Kabulis charge sometimes one anna per rupee per day. This amounts to 2,300 per cent. per annum, whereas the highest rate we have come across is 650 per cent. Is not this an over-statement?—(*Mr. Anandji*) Not an over-statement, there are several cases.

649. **Khan Bahadur Hemayetuddin Ahmad:** Do you think land mortgage banks would be suited to agriculturists?—(*Mr. Anandji*) Yes, principally for the redemption of old outstanding debts carrying high rates of interest as also for agricultural improvements.

650. You think there should be separate land mortgage banks for people other than agriculturists?—(*Mr. Anandji*) Yes, these should be established only in towns for the benefit of merchants and middle class people.

651. Do you prefer that such banks should be on co-operative lines?—(*Mr. Anandji*) For the former class, yes; but for the latter type, no.

652. **Dr. Law:** In your reply to Part I, Question 6, you have stated that assistance should be given to the cottage industries by the Department of Industries in several ways. Has such assistance been successful in the past?—(*Mr. Anandji*) Such assistance has not been very successful due to a variety of causes. The Department of Industries in Bengal has not got large funds at its disposal, and the Indian Chamber of Commerce, Calcutta, had, therefore, suggested some time ago that provision should be made for placing large funds at the disposal of the Industries Department.

653. What would you suggest should be done to give more assistance through the Department of Industries?—(*Mr. Anandji*) I would suggest that the officials of the Department of Industries should be brought into more intimate touch with the people and the methods of helping them should be more liberal than hitherto. The people should be trusted much more than they are to-day, and facilities should be given to them in a manner conducive to developing industries. The Department of Industries should provide expert assistance, whenever necessary, to help people in making estimates, etc., about the commercial character of any enterprise which they might be thinking of embarking upon.

654. **Chairman:** You suggest a reduction of stamp duty on usance bills. Can you give an idea about the reduction you want?—(*Mr. Raisurana*) If one has to pay one anna less on each bill, it comes to a considerable amount in one year. It should be remembered that there is no immediate, direct and tangible return to the man who pays the duty. The duty is for revenue purposes and should not be exorbitant. The present high rate of the duty also leads to fraudulent methods of evading the tax.

655. **Dr. Sinha:** You advocate starting co-operative land mortgage banks. Should they have limited liability or unlimited liability?—(*Mr. Anandji*) Limited liability.

655A. Should they advance only to rural societies or directly to agriculturists also?—(*Mr. Anandji*) If the rural societies recommend they may advance also to agriculturists.

656. Would not difficulty arise in lending long-term loans to members of rural societies with unlimited liability?—(*Mr. Anandji*) If the liability of the members to rural societies is unlimited and if the society becomes a member of the land mortgage bank, it is all the better for the bank.

657. What scripts do you suggest for signature on cheques?—(*Mr. Anandji*) In Bengal, I think there should be two languages at least—Hindi and Bengali. (*Mr. Gandhi*) In addition to English as at present.

658. **Chairman:** You are aware that in Bengal several co-operative sale societies of jute have been started by the Co-operative Department?—(*Mr. Bagaria*) But they are not working on right lines. In fact, some of them have burnt their fingers due to speculation in which they indulge just like the ordinary merchants.

659. Can you favour us with a short note on what you consider to be the proper lines of co-operative marketing which will be pursued by these societies?—(*Mr. Bagaria*) Yes, we shall be glad to do so.

Summary of evidence taken before the Provincial Banking Enquiry Committee, Bengal.

MIDNAPORE.

1st February 1930.

PRESENT:

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*)

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

Witnesses present—

Mr. S. K. Haldar, I.C.S., Subdivisional Officer, Tamluk.

Mr. B. K. Bhattacharyya, Circle Officer, Tamluk.

Mr. B. C. Addya, Circle Officer, Mahisadal.

Rai Bahadur Manmatha Nath Bose, Secretary, Midnapore Central Bank.

Mr. B. K. Ghosh, 2nd Khas Mahal Officer, Contai.

Mr. Manishi Nath Bose, Assistant Secretary, Midnapore Central Co-operative Bank.

Mr. Surendra Chandra Chakrabarty, Inspector of Co-operative Societies.

Mr. D. N. Sen Gupta, Executive Engineer, Cossye Irrigation Division.

Mr. S. C. Mazumdar, Executive Engineer, Bankura Irrigation Division.

660. The Circle Officer of Tamluk said that in his statement he has excluded the labour of the agriculturist himself and family in calculating the cost of cultivation. The average outturn per acre of paddy is 7 maunds per bigha and the average rent in the Khas Mahals is 10 annas. In private zemindary the rent is a little higher.

661. The Subdivisional Officer of Tamluk said that he based his estimate of 10 lakhs for the total amount of capital required for financing agriculture in his subdivision on actual calculation as shown in statement A annexed. He also submitted a statement (B annexed) showing how he calculated the agricultural indebtedness and a statement (C annexed) of agricultural loans issued.

362. The Secretary of the Midnapore Central Bank said that after 5 years rural societies become bad in the sense that they continue to default in repayments to the central bank. Easy money makes them involved in greater debts. The Registrar of Co-operative Societies is trying to insist on a distinction being made between short term loans and long term loans but the effort is not very successful. There is hardly any seasonal repayment in co-operative societies, but the mahajans seize the crops. The rate of interest levied by a mahajan is from 12½ per cent. to 75 per cent., sometimes compounded every quarter. The usual rate of paddy loan is 25 per cent. When there is a forward sale, the price of paddy is fixed at the time of the loan. In his opinion the work of the land mortgage banks should be entrusted to existing co-operative societies. Separate institutions should be ruinous to both. There are two paddy sale societies affiliated to the Midnapore Central Co-operative Bank. This year only one of them took advance of Rs. 4,000. They purchase paddy both from members and outsiders. But only members are entitled to a rebate if there is any profit. No rebate has been given last year. They do not possess mills and do not sell paddy to mills. They have accumulated very small reserve funds only. Three out of four paddy sale societies in this district are losing concerns. This is caused by mismanagement of the managers, disloyalty of the members and the fact that the central sale society at Calcutta does not help them, in consequence of which they do not find suitable market for selling their produce. They deal in the coarser kinds of paddy which the central sale society in Calcutta refuses to sell. Central sale society in Calcutta should deal in all kinds of paddy. Agricultural indebtedness is increasing on account of thriftless and reckless habits of the people. Joint stock loan offices are no doubt an improvement on the village mahajans but they are not the ideal banks. Creditors prefer mahajans to co-operative societies as the mahajans do not insist on payment. A good many agriculturists have lost their lands to the mahajans. He estimated their proportion to be 10 per cent. The only means of arresting oppression of the village mahajans is the spread of education and establishment of co-operative societies. Co-operative central banks should not be permitted to grant loans to individual members and depositors. The value of the shares of the preference shareholders is very small and shares being the capital of the society cannot be hypothecated by a member. As regards the depositor he can obtain a refund of his deposit subject to a small discount whenever he needs money. The loan office at Tamluk makes advance to agriculturists as well as to middle class people. Its working capital is not more than 4 or 5 lakhs. The Midnapore Central Bank has usually a large surplus at hand. At present it is Rs. 50,000 but sometimes it rises to 2 lakhs. This is why it has stopped taking deposits. About 60 or 70 per cent. of the depositors deposit their interest on the same terms as the original deposit. In rural societies the members of the Panchayat generally take largest share on the money available. There have been instances when members of rural societies have employed the loan they have taken from the society in lending it out at higher rates of interest to non-members. When such cases become known to us we try to recall the money, of course, through the Panchayat of the rural society. When the loan exceeds Rs. 250 the sanction of the central bank has to be taken but even in such cases the central bank cannot itself recall the loan but can only ask the Panchayat to do so.

663. The Secretary of the central bank was not prepared to give details of the nature of too much official interference in the working of the bank to which he had referred in his written replies, although he admitted that such interference has not affected the working to an appreciable degree. No attempts have been made in any society to completely repay the older debts of the members although it was admitted that no improvement in the condition of the agriculturist is possible unless he is freed from the clutches of the mahajans.

664. The Inspector of Co-operative Societies gave the following statement of loans taken to be repaid by the agriculturists from rural co-operative societies in his circle:—

				Rs.
In 1926-27	..	..	..	1,96,304
In 1927-28	..	..	..	1,06,443
In 1928-29	..	..	..	6,22,425
Total				4,25,172

Statement of payments made by Agriculturists during last three years.

				Rs.	A.
In 1926-27	..	..	..	64,813	8
In 1927-28	..	..	..	1,13,134	0
In 1928-29	..	..	..	97,756	0
Total				2,75,703	8

665. The Executive Engineers of Cossye and Bankura Divisions said that by irrigation the produce of land is much improved. The following statements show (i) the results of the average of several experiments in crop-cutting in lands irrigated by the Midnapore canals, (ii) the cost of production per acre and (iii) the amount of irrigation rates charged:—

(i) Results of crop-cutting experiments.

Year.	Irrigated.				Non-irrigated.			
	Grain.		Straw.		Grain.		Straw.	
	Mds.	srs.	Mds.	srs.	Mds.	srs.	Mds.	srs.
1924-25	23	10	34	30	15	34	26	5
1925-26	22	32	40	36	13	35	28	17
1926-27	21	29	30	11	12	15	17	20
1927-28	21	10	29	24	13	7	18	37
1928-29	22	30	35	3	16	2	28	14

(ii) Cost of production per acre.

	Rs.	A.
1. Ploughing fields—		
12 coolies at 12 annas	9	0
2. Sewing seeds—		
2 coolies at 12 annas	1	8
3. Cost of paddy seed ($\frac{1}{2}$ md.)	1	8
4. Clearing weeds—		
8 coolies at 12 annas	6	0
5. Reaping corn, including thrashing, etc.—		
14 coolies at 8 annas	7	0
Total	25	0

(iii) Irrigation rates charged per acre.

	Rs.	A.
1. For water supplied on lease for a term of years	3	0
2. For water supplied on a covering lease ..	3	12
3. For water supplied on a season lease ..	3	12
4. For water supplied as a single watering ..	1	8

Statement A (referred to in paragraph 661).

[Statement showing cost of agricultural operations in the Tamluk subdivision during the year 1928-29—Vide Question No. 1 (iv) of the answers to the questionnaire of the Bengal Provincial Banking Enquiry Committee submitted by this office on 1st October 1929.]

I. Tamluk Circle (comprising Tamluk, Panskura and Mayna thanas)—

1. Total acreage—189,440 acres.
2. Arable—120,000 acres.
3. Actually cultivated—94,500 acres.

- (1) First class—25 per cent. of (3).
- (2) Second class—40 per cent. of (3).
- (3) Third class—35 per cent. of (3).

(N. B.—From figures of last cadastral settlement survey with corrections made by this office up to date by local inspection.)

4. Actual cost of operation per acre—
 - (1) First class—Rs. 24.
 - (2) Second class—Rs. 30.
 - (3) Third class—Rs. 30.

Mean of (1)—(3) Rs. 28 per acre, divided as follows:—

	Rs.	
(a) Wages of human labour 50 per cent.	.. 14	
(b) Wages of animal labour 37·5 per cent.	.. 10	(With cost of implements.)
(c) Cost of seeds, manure, etc., and to acreage of implements 12·5 per cent.	.. 4	
Total	.. 28	

	Rs.	£
5. Cost of cultivating 94,500 acres (vide 3 above)		
Rs. 94,500 × 28	26,46,000	
Less cost of own labour of the cultivator	12,00,700	
[90 per cent. of the total human labour employed is supplied as such—Vide 4(3)(a) above.]		
	14,45,300	
Less allowance for non-recurring nature of the expenditure under head 4 (3) (b) above (on 5 years basis)	7,56,000	
Total	.. 6,89,300 or	

Rs. 7,00,000 (in round figures,).

II. Mahisadal Circle (on the above basis)—

1. Actually under crops—105,940 acres.
2. Cost of cultivation calculated as above—Rs. 8,00,000
- Total for the subdivision—Rs. 15,00,000.

Statement B (referred to in paragraph 661).

[Statement of indebtedness of the agricultural population of the Tamluk subdivision for the year 1928-29 (vide No. 5 (i) of the answers to the questionnaire of the Bengal Provincial Banking Enquiry Committee submitted to this office on 1st October 1929).]

I.—Tamluk Circle.—

1. Total population—282,823.
2. Total families—56,565.
3. Total agricultural families *90 per cent. of above—50,909.

*The figure 90 per cent. was obtained by actual calculation of three typical villages in three thanas.

4. Number in debt *40 per cent. of (3)—20,364.

*This percentage figure was obtained by actual computation in typical villages in three thanas.

5. Average debt for indebted family reduced to money value for both cash and kind—Rs. 50*.

*This percentage was obtained from Sherista of 3 different mahajans for typical villages in 3 thanas.

6. Total indebtedness—Rs. 50 × 20,364 = Rs. 10,18,200 or Rs. 10,00,000 (in round figures).

7. Average interest—20 per cent. per mensem or 24 per cent. per annum = Rs. 2,40,000.

Less not recovered—*Rs. 40,000 (about 15 per cent.).

*Nearly 15 per cent. of the gross interest is never recovered as obtained for actual test in 3 different villages.

8. Total—Rs. 2,00,000.

II. Mahisada' Circle.—

Indebtedness—*Rs. 12,00,000 (on the above basis) by rule of three on the basis of number of families.

Interest—Rs. 2,20,000.

Subdivisional Total.—

				Rs.
1. Indebtedness	..	..	..	22,00,000
2. Interest (net)	..	..	..	4,20,000

Subdivisional Indebtedness.—Total 26 lakhs (in round figures).

Statement C (referred to in paragraph 661).

Statement of agricultural loans for the last 3 years in Tamluk Subdivision.

Year.		Amount received and disbursed during the year.	Amount realised.	Balance.
	Rs.	Rs. A.	Rs. A.	Rs. A.
1926-27.				
Balance of previous year	416			
Received	10,000			
	10,416	10,416 0	..	10,416 0
1927-28.				
Balance of previous year	10,416			
Received	2,500			
	12,916	12,916 0	5,416 0	7,500 0
1928-29.				
Balance of previous year	7,500			
Received	500			
	8,000	8,000 0	5,916 1	2,083 15
1929-30.				
Up to January 1930		2,083 15	1,292 15	791 0

Mr. D. M. Mitra, Superintendent of Post Offices, called and examined.

666. I am the Superintendent of Post Offices in Midnapore and Bankura. I have been here for the last 3 years and before that I was a Superintendent in Calcutta. I have also the experience of the district of Burdwan. I have been a Superintendent of Post Offices for the last 10 years.

667. The advantages of cash certificates are not well known among the illiterate masses. Its sale is more or less restricted to the educated middle class. I think the present rate of interest is sufficiently attractive and it does not require any revision. They will not be attractive either to agriculturists or labourers, because they cannot be cashed before 5 years without a loss of considerable interest. I would not revive the payment of commission to postmasters for the sale of cash certificates which was given when these were first introduced during the War. For the postmasters here have very little time to do any propaganda work, and the money that will go to them as commission will be given practically for nothing. I think the advantages of cash certificates should be given more publicity by means of posters, folders and in other ways, but this propaganda should be by others and not by postmasters. The maximum holding of cash certificates by one individual is Rs. 10,000. I think this should be raised. I have some friends who want to invest money in cash certificates, but as they have reached the limit, they are unable to do so. I do not think that if the limit is placed at a sufficiently high figure the post office may become a competitor to joint stock banks and indigenous bankers. Most of the people who invest in postal cash certificates are not likely to deposit their money in banks. Moreover, there are many places where there are post offices but no banks or bankers.

668. I would raise the present rate of interest on postal savings bank deposits to some more attractive figure. The present rate of interest is rather low. I would like to keep it a bit lower than the rate of interest on cash certificates because cash certificates are really five years' fixed deposits, but in the savings bank one can withdraw the money at any time. It is true that we are getting a good amount in these deposits at the present rate of interest, but we can get more by slightly raising the rate. Generally the middle class people—the pleaders, Government servants and clerks—have postal savings bank accounts. I have seen even some agriculturists investing in savings banks, but they form a very small percentage. Labourers like the Santhals do not open accounts in postal savings banks. I do not know why the present maximum of deposit in post office savings bank should not be raised to Rs. 10,000. I do not think that speculators will then take advantage of the savings bank accounts. If the maximum be raised there will be no difficulty in withdrawal in head offices, but in sub-offices there may be a little delay in payment. I would not recommend more frequent withdrawals than once a week for that would amount to opening current accounts and we shall be deviating from the fundamental principles of savings banks, viz., encouragement of thrift. It is a fact that in England the withdrawal of any sum not exceeding £2 is allowed once a day. I have no objection to that, but personally speaking I would prefer two kinds of savings bank,—one just like current accounts, and the other strictly speaking savings banks on the present system of withdrawal once a week. I have no

objection to withdrawals by means of cheques. I would not recommend payment of any interest on current accounts in post offices if they are opened, but on the contrary we shall have to charge something for the extra expenses of establishment for keeping the accounts. It will still attract a sufficient number of depositors. There will be no difficulty in post offices undertaking this business, except that we shall require additional staff. We could arrange for payments from a post office different from the one at which an account is opened, but under the present rules we cannot do so. The rules may be changed however. A small commission should be charged in such cases. I would also permit a man to deposit some money in a Calcutta post office for being credited to his savings bank account at Midnapore, but here too a small commission will have to be charged. Under the present rules, cash certificates can be purchased by cheques on banks recognised by the department, but deposits in post office savings bank cannot be made by such cheques. I think the rules should be altered to permit this.

669. I think it is against our policy to undertake the serious responsibilities of accepting valuables for safe custody. It may be possible to do so at head offices provided there is a sufficient number of armed guards.

Mr. A. K. M. Ehya Sadique, Income Tax Officer, Midnapore and Bankura, called and examined.

Indigenous Bankers.

670. There are 4 or 5 indigenous bankers in the district of Midnapore—one Bengali in Ghatal and the rest Marwaris in Kharagpur.

671. There are two kinds of hundis in use among them—Darsani and Muddati. In the former only hundiana at $\frac{1}{4}$ th or $\frac{1}{2}$ th per cent. is charged. In the latter discount at 3 to 4 per cent. per annum is levied in addition to the hundiana. The usual period of the usance is 40 days. The volume of hundi transactions in the district exceeds 25 lakhs. There is never or hardly ever any loss in hundi transaction.

672. The Marwari bankers receive deposits. The Bengali banker takes no deposit from the general public. The deposits are all current—Khatapeta system—and the rate of interest payable is $6\frac{1}{4}$ to 12 per cent. per annum. They take no deposits for fixed periods. They do not take deposits from every one, but only from businessmen.

673. The Marwari bankers also give loans to local businessmen or contractors all for short periods—generally not exceeding a year—at rates of interest of 12 per cent. per annum, either on Khatapeta system or on hand notes.

674. Every one of them has other businesses. The Bengali banker has got a very large Arat. The Marwaris deal, one in country produce, one in imported goods, and others in agencies in cigarettes, matches, etc. These are their main businesses. Banking is only subsidiary to their main business.

675. Bankers as well as money-lenders are paying less income-tax now than what they paid five years ago. The reason alleged is competition of co-operative banks.

Money-lenders.

676. There are many money-lenders in the district, but only 175 are assessed to income-tax. Their estimated capital invested in money-lending is about 33 lakhs. Money-lenders do not take deposits and generally do no other business. They deal with their own money only. They lend to agriculturists in the main and to a very small extent to artisans and businessmen. The loans are chiefly on mortgages but simple bonds and promissory notes are now uncommon. They do not lend on pawn of moveable articles. The rates of interest range from 12 per cent. to 30 per cent. per annum. The average rate will be 18 per cent. Interest is usually compounded annually but I do not think they can realise all the interest. The total amount of interest on which they are taxed exceeds $3\frac{1}{2}$ lakhs—or about 11 per cent. I estimate their cost at Rs. 19,000 only—so the net income still exceeds 10 per cent. In the absence of a return, I usually assess them at 12 per cent.

677. Besides these assesses, there are thousands of village money-lenders with small capital and inassessable incomes, whose rates of interest go up from $37\frac{1}{2}$ per cent. There is also a very large volume of work done in paddy-lending on mortgages and otherwise. The rates on these loans is very high to go up to so much as 100 per cent. per annum, the average being about 50 per cent. Their net income will be, I guess, about 20 to 25 per cent. The accounts I have seen, I believe, are correct.

678. The general remarks I made above apply to Bankura and other districts where I have served. I do not think that in Burdwan the rates are lower. The volume of hundi business in Burdwan is many times greater specially in the coal area.

Mr. Ananga Mohan Chakrabarty, Deputy Collector, Khas Mahal Manager, Contai (Midnapore), called and examined.

679. I am the Manager of the Government Estates in Contai Sub-division with a revenue of about 6 lakhs of rupees. There are some large tenure-holders and also a large number of agriculturist tenants holding directly under Government. My answers relate to the conditions prevailing both in the Government estates as well as in the private estates in the Contai subdivision. Most of the landlords finance their tenants. The interest on paddy loans is 25 per cent. for 6 months, i.e., until the next harvest or 50 per cent. per annum. The co-operative societies lend money generally on personal security. The co-operative paddy sale society in Contai subdivision is not working very satisfactorily. It ought to be managed by a wholtime manager. I want to suggest that Government should first start the business and then make it over to the people. The society is at present a losing concern. It would have been paying but for an accident to a boat which caused a loss of Rs. 1,200.

680. The agricultural indebtedness is increasing on account of the increased cost of living without increased production or any corresponding increase of income. I would suggest subsidiary occupations, for it is no longer possible to depend on agriculture alone. About 10 per cent. of the lands have passed from the agriculturists' hands.

681. It has been found that persons who have taken loans from co-operative societies have lent out this money to non-members at a

higher rate. These non-members do not become members of co-operative societies as they dislike having to combine themselves with unlimited liability.

682. The estimate I have made for the amount of extra capital required for financing co-operative movement in Contai subdivision of 5 lakhs of rupees is only a guess work. So also is my estimate of the total amount of capital required for agricultural purpose amounting to 10 lakhs. There are about 250 co-operative societies in the Khas Mahal area and many money-lenders. The co-operative societies charge $12\frac{1}{2}$ per cent. per annum and the mahajans 25 per cent. to $37\frac{1}{2}$ per cent. on loans. Compound interest is generally not charged and when charged it cannot always be realised. Agriculturists go to mahajans and pay the high rate of interest when they do not like joint liability. It is usually people who are generally solvent who go to the mahajans.

683. Changes of tenancies amount to 4 or 5 thousands every year, being mostly voluntary sales.

684. By the amendment of the Bengal Tenancy Act by which the landlord is entitled to a salami of 20 per cent., the agriculturists will suffer in credit for this will tend to a considerable reduction in the price of land, say about 20 per cent. There is no irrigation in the Khas Mahal and no irrigation is necessary. I estimate the total indebtedness in the Khas Mahals to be 60 lakhs.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

February 8th, 1930.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*),

DR. N. N. LAW.

DR. J. C. SINHA.

RAI BAHADUR BADRIDAS GOENKA, C.I.E., M.L.C.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. A. T. Weston, M.Sc., M.I.C.E., M.I.E. (Ind.), Director of Industries, Bengal, called and examined.

685. **Chairman:** In paragraph 4 of your reply you have mentioned that some loans have been given to passed students of the Weaving Schools to buy looms, materials etc. Under what rules are they financed?—About 10 years ago some rules were framed by the then Principal of the Serampore Weaving School and these rules have been subsequently modified and have been approved by the Government.

686. Could you give us an idea as to the number of students who are obtaining this kind of assistance?—The loans are of 2 kinds. One kind of loan is intended for what we call our artisan students and it usually amounts to Rs. 100—that covers the cost of the ordinary fly-shuttle loom with its necessary auxiliary apparatus; and the other kind of loan is one which goes as far as Rs. 400 and is intended to help the higher class students of the Bhadralog type to set up a small collection of looms which they can work with hired labour.

687. Are these loans given on any security?—They are given on definite security after enquiry by the local district officer into the circumstances of each case.

688. What kind of security?—The security is usually a collateral security, or if a man can offer some landed property, that is also taken.

689. What is the rate of interest?—6½ per cent.

690. How are they repayable?—They are repayable in equal instalments in 2 or 3 years.

691. Are they being regularly recovered and have there been any losses?—They are recovered with some trouble. I should say we have to write off every year a couple of hundred rupees or so as bad debts.

692. Is any loan given for working expenses?—We do not give any financial help for working expenses, not even for the purchase of the yarn.

693. Do you help these borrowers in getting purchasers for their produce?—No, not systematically.

694. **Dr. Law:** You have just now told us that Rs. 100 is given as loan to students of the artisan class. Is it given in a lump or is it increased when more money is needed?—We make only one-time lump payments.

695. Is it not too small a sum to meet his needs?—No, not his reasonable needs.

696. What is the amount given to the Bhadralog student as loan? Is it given in a lump?—The loan is given in a lump and the maximum amount is Rs. 450. It depends largely upon the security and the report of the enquiring officer.

697. What is the total amount that is given every year?—About Rs. 5,000 per annum. That is all the budget allows us to give.

698. Have you given these loans to the students from the starting of the schools?—Not from the starting of the schools, but for the last 10 years approximately.

699. In how many cases approximately have they been able to repay the loan and make a profit out of the business?—My impression is that about 50 per cent. make a tolerable living and the rest have to struggle to get the loan repaid.

700. **Khan Bahadur H. U. Ahmed:** Can you give the number of students who have been given these loans?—I will give the exact number of students on record.

701. How many weaving schools have you got in the province?—We have got the main weaving institute at Serampore with about 40 artisan students and 20 higher class students and we have approximately 10 district weaving schools with about 20 students of the artisan type in each.

702. **Chairman:** The Central Sale Depot in Calcutta has not been transferred to your charge?—No sir, it is still under the Co-operative Department.

703. What is your relation with that Central Sale Depot?—The relation is merely an advisory one through a committee appointed by Government to advise the management of that Co-operative Sale Depot in regard to the help which they might give to the cottage industries.

704. Are there any other depots besides the one in Calcutta?—Yes, there is the Bankura Co-operative Industrial Union and there are some other unions in other districts.

705. **Dr. Sinha:** After taking account of the cost of transfer, period of storage and establishment charge, what do you think would be the net gain to the producer?—We have no reliable experience. I had some experience of the working of the Bengal Home Industries Association for some years and the margin was a small one, not exceeding 5 per cent.

706. **Khan Bahadur H. U. Ahmed:** Have you visited the Bagerhat Union?—Yes. We have given a good deal of advice to the gentleman who is the inspiring genius of that concern.

707. Can you say why this is a losing concern?—I am unable to say.

708. **Dr. Sinha:** In the first edition of the Report of the Survey of Cottage Industries in Bengal, page 99, with regard to co-operative organisations in Pabna, there is a startling statement that the rates of yarn at these co-operative organisations are considerably higher than the local market rates. In the second edition there is no such statement. Do I take it that these organisations have ceased to exist or the fault has been rectified?—I have no first hand information. I do not think they are in existence now.

709. **Chairman:** You have said that the Imperial Bank on your advice or recommendation gave financial assistance to some of the larger industrial enterprises like the Calcutta Soap Works and the Calcutta Pottery Works. Did the Bank seek your advice?—The Imperial Bank did not seek my advice. What happened was this: Mr. Deb of the Calcutta Pottery Works and Mr. Palit of the Calcutta Soap Works, who were in close touch with this department, both came to me when they were in financial difficulties and asked if I could help them to negotiate such a loan and in both the cases I took them straight to the Agent of the Imperial Bank. We talked the matter over and on the stocks of products which they had, soap in one case and pottery in the other, the Bank gave about Rs. 2 lakhs in both the cases after making their own investigations.

710. **Dr. Sinha:** With regard to the Calcutta Soap Works, we understand that they went into liquidation shortly after the advance was made by the Imperial Bank upon your recommendation. Will you please let us know what exactly was your recommendation, did you certify the manufacturing method of the company or their financial position?—I can't remember definitely but I imagine I reported to them that I was personally cognisant of the organisation of the factory and their management and I considered that it was worthy of support at that time. I certified the manufacturing methods of the company and not their financial position.

711. In this connection is there any understanding between your department and the Imperial Bank with regard to the financing of small industries?—None, whatsoever.

712. **Dr. Law:** Don't you think that the Imperial Bank is handicapped a good deal on account of the existence of the rule that it cannot grant loans for a period of more than 6 months?—Yes, from the point of view of industrialists.

713. So, the help that is given by the Imperial Bank is extremely inadequate from this point of view?—No, it is not of any consequence as far as my experience goes.

714. **Chairman:** In paragraph 6 of your reply you have said that your draft Industries Bill contained all the provisions that are necessary to provide financial facilities for starting industrial enterprises. Is it the same Bill that was presented in the Council by Nawab Musharaff Hossain?—The Bill was on the same line. As far as the Department of Industries Draft Bill was concerned it was as liberal as any of the provisions of the other provincial Governments' legislations.

715. **Dr. Sinha:** It has been represented to us that the working of the State Aid to Industries Acts in other provinces have not been successful. What in your opinion are the dangers to be guarded against and how far had they been met in your draft Bill?—The dangers are exemplified by the efforts made by the Madras Department of Industries to save an important paper mill (the Karnatik Paper Mill). The main difficulty, as I understand it, is caused by the locking up of money in capital and block equipment and the consequent difficulty in raising the necessary working capital to get the thing going.

716. You don't apprehend any such difficulty in Bengal?—Oh yes, I do apprehend it under the existing conditions.

717. **Rai Bahadur Badridas Coenka:** What was the actual difficulty of the Karnatik Paper Mill? Was it because it had not sufficient financial assistance or was it that it was not properly equipped?—My own impression is that the persons who were in charge of this concern had not sufficient competency to run an industry of this kind.

718. **Chairman:** In regard to the Industrial Bank, could you give us any idea as to how an industrial bank in Bengal could be organised?—No sir, I cannot.

719. **Dr. Law:** Do you think that the share capital of a bank will not be forthcoming unless Government guarantees a minimum rate of interest or dividend?—Generally speaking, no.

720. So Government help is essentially needed in these matters?—My own view is that Government should have an active policy in regard to the development of the industrial activities of the country and that they should carry out this policy with due regard to the safety and care of the tax-payers' money by giving a guarantee to suitable people, by the establishment of an industrial bank promoted by gentlemen with the experience and reputation in the commercial world with the backing of the Government. I certainly think that they have a claim on the Government.

721. **Rai Bahadur Badridas Coenka:** Do you think that the funds provided by the State Aid to Industries Bill introduced in the Council will be sufficient to aid the industries to an appreciable extent?—State Aid to Industries Bill would not be adequate for the full development possibly, but it would show the way. It would indicate Government's active policy towards this direction and it will provide the experience by which banks and larger money resources of the country may get confidence by branching out in this way.

722. **Dr. Law:** Can you give us an idea as to the amount which is to be set apart every year for this purpose?—I cannot give you an answer to this question.

723. Do you know the amount that has been set apart in Madras?—Something like Rs. 5 lakhs.

724. So far as the Industrial Bank is concerned will you please tell me what ought to be the working fund of the bank adequately to meet the needs of the country?—I cannot pretend to answer.

725. **Dr. Sinha:** You have advocated the financing of cottage industries through co-operation, do you think that finance through this alone would be quite adequate or would you suggest some other agency?

—The cottage industries are having very bad luck, they are poverty-stricken depressed industries on the whole. My experience would suggest that it is desirable to lift them out of this difficulty entirely and to put them in the hands of the intelligentsia of the province as far as that can be done and in order to provide the conditions for securing their interests and some sense of discipline in all concerns I think the co-operative method is the only feasible one at present.

726. But the report of the Co-operative Department tells us a different tale. It appears from the annual report of 1927 that most of the artisan societies and industrial unions are not flourishing. Can you give any reasons for this?—No, I have no intimate experience on which to explain that unfortunate revelation. But the Industries Department would suggest that improvement can only follow the adoption of better methods and the use of such labour saving machines, wherever possible, as can be adapted to these cottage industries.

727. **Dr. Law:** In paragraph 3 of your reply you have said that the craftsmen or workers have such little general education and business ability that it is customary for the whole of the financial arrangements to be supplied by the mahajan community. Do you think that it is on account of illiteracy only that they have to resort to the mahajan community?—I think that owing to their illiteracy and low moral standard they have not got the spirit of thrift and enterprise.

728. Do you think that if they approach any bank that bank would advance money to these people?—No.

729. **Khan Bahadur H. U. Ahmed:** Is there no co-ordination between your department and the Co-operative Department?—There is co-ordination, but it is not sufficiently developed.

730. **Khan Bahadur A. Haque:** Is there any co-ordination between the Department of Industries and the Department of Agriculture?—Not as much as it is desirable.

731. You have published a pamphlet on a scheme for a small cigar factory in Bengal. Do you know that the Agricultural Department is manufacturing cigars to-day?—Yes.

732. Is there any attempt at co-ordination between your department and the Agricultural Department on this point?—Yes.

733. What has been the result?—The Agricultural Department has employed cigar rollers brought from Madras and have shown that the tobacco grown in the Rangpur area under their instruction and conditions can be manufactured into tolerably good cigars. They have asked us to take this over. It is one of the underlying questions which is very doubtful whether it is an industrial or agricultural operation.

734. Do you know that there was a tobacco company floated in Rangpur and it is not working now. Has your department tried to find out the reasons for this failure?—Yes. When the Department of Industries had a local officer in the Rajshahi Division we were in touch with that firm and we certainly did try to understand what the difficulty was, and, as far as I remember, it was in regard to the supply of suitable cured tobacco, but certainly there was no reluctance on our part to help them.

735. Would you favour us, if possible, with a note as to the reasons which were responsible for the failure of this concern?—I shall look up into the files and see what information we have.

736. I find from your administration report that there were deplorable failures of many firms during the war time. Have you tried to find out the reasons of these failures?—As a department we have not been invested with the necessary authority to enable us to get all the particulars necessary for forming a judgment on that question.

737. Is it a fact that at present the Industries Department has nothing to do with the working of factories or boilers, etc., in Bengal?—As a department we have no responsibility for the administration of the Factories Act or of the licensing of electric authorities and the determination of the conditions of electrical department, nor have we any direct responsibility for the inspection of boilers, etc.

738. May I take it that if the Industries Department wants to help the marketing of industrial produce then it should have some hand in the purchase of Government stores like the Department of Industries in United Provinces?—The experience of the Industries Department could operate on the purchasing department of the Government to the advantage of industrial development.

739. Is it a fact that co-operative societies do not often find it suitable to help industrial enterprises?—No, I do not agree with you there.

740. How would you supply finance to individual industrial worker?—My experience is that the best way of tackling that sort of proposition is that the Government Department of Industries should be able to arrange a supply of the equipment necessary for the small industry on a hire purchase system either by guaranteeing the return of supplies of machinery or by purchasing the machinery by the Department of Industries and by recovering the cost by suitable instalments. That sort of help may be given to young men who can bring some little capital.

741. Has any such scheme been framed by your department?—Yes.

742. What would it cost the province to work the scheme which you have framed?—No limit has been set to it, but the cost of the province need not in the first instance exceed Rs. 50,000 in one year.

743. Have you succeeded in getting the money?—No.

744. How long has the scheme been standing?—The scheme has been before Government in one form or other for 9 years.

745. On the question of financing of weavers—you have said in page 6, paragraph 4 (Report on Cottage Industries) that the Department of Industries have pressed for the increase of peripatetic demonstration parties. Will that improve the financial condition of the weavers as a class?—Certainly.

746. How long has this offer been made and why is it not successful?—I think it has been of real value, but we could make it more effective if we had raised a number of demonstration parties to concentrate in an area and so bring it home more effectively to the people. We have seen that the work of the textile demonstration parties have given the people new methods and new ideas.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

February 10th, 1938.

PRESENT:

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. N. N. LAW.

DR. J. C. SINHA.

KHAN BAHANUR MAULVI AZIZUL HAQUE, M.L.C.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. T. C. Roy, Collector of Nadia, called and examined.

747. **Dr. Law:** At pages 4 and 5 of your reply, Question 2 (*iii*), you speak of the Sale Society. Does the Society pay the full value of the jute in the first instance or only a certain percentage of its full value?—As far as I remember they pay full value.

748. If, as you say, the Society gets better price for the jute it must be able to offer a better price to the cultivator. How is it then that the actual cultivators are not joining the society as members?—They have not realised the benefit of co-operation as yet. It is mostly to the farmers that they make their sales. They fight shy of becoming members and they are very suspicious. There has not been sufficient propaganda amongst these cultivators to bring home to them the benefit of co-operation.

749. In reply to Question 2 (*iv*), you have said that the aratdars make such advances against the produce delivered for sale through their arats. Are these aratdars mere custodians receiving an aratdari rent or do they get commission as commission agents from mills in Calcutta?—Some of the Marwaris have got their own arats who deal in jute themselves. I don't know whether they get commission from mills in Calcutta.

750. If they are not buyers how can they be asked to advance the full value of such produce without undertaking some risk because the price may come down any time?—There is, of course, some amount of risk involved; but the raiyats also incur some risk in selling jute to the aratdars.

751. If they are buyers themselves, why is the full value not paid?—Why they don't pay I cannot tell you; but I think if they pay the full value they will incur more risk. The market may come down before they can sell.

752. As the Society pays whole of the price, they are more attractive than the aratdars because the grower gets the full value from the former?

—Yes. But that would not be the case with the society when the actual cultivators become members.

753. Can you give me an idea as to the composition of the Society, whether it is composed of a large number of farias or there are cultivators also?—Very few are cultivators, that is my complaint. It is not co-operative at all.

754. At page 13 of your reply, Question 6 (iv), you speak of co-operative marketing. Do you think they can produce on a large scale if the designs of the articles that are produced are not standardised? Is it not desirable that they would produce articles of particular designs so that they may produce on a large scale?—I don't know if there are sufficient number of artisans at a particular place. As a matter of fact, I think that they produce things of one or two patterns of each kind. The varieties are not large.

755. In reply to Question 6 (iv), you speak that Government might make advance to the society for the purchase of improved machinery. What Government agency would you recommend for the making of such advances?—Government might advance money through the Co-operative Societies.

756. In reply to Question 6A (i), you speak of loans on raw materials. From whom are they obtained?—They are purchased on credit. In case of bell-metal the mahajans of Calcutta give the workmen 3 or 4 months' credit.

757. In reply to Question 6A (ii), you speak of Industrial Banks. Have you any suggestion to make with regard to the constitution of such a bank?—I have got no experience. What I mean by Industrial Bank is a bank intended mainly to finance industries.

758. In your replies to the questions in Section II—Indigenous Bankers—have you always kept in view the line of demarcation between indigenous bankers and money-lenders?—I am afraid not always. They have been mixed up in some cases.

759. Are these indigenous bankers Bengalis or non-Bengalis?—What is the proportion of Bengalis and non-Bengalis?—I don't know a single indigenous banker according to the definition. Most of them are Marwaris.

760. In page 23 of your reply, Question 2, you say that the indigenous bankers seldom finance industries. Are they never approached by those who run these industries?—Very seldom.

761. In page 24, Question 4, you have distinguished between class (a) and class (c) of hundis. How are they different?—Are not Sight Bills used for remittances?—Mostly for remittance purposes. I cannot make anything of the forms as they are in mahajani script. All the information I got was by questioning a man.

762. In reply to Question 5 (3), page 25, you speak of deposits. Is the practice of accepting deposits very widely prevalent in the district?—Only with the Marwaris.

763. Do they accept deposit from the general public?—Not from the public but from their customers.

764. Are they fixed deposits?—It is a sort of current account but the interest is high from 5 per cent. to 6 per cent.

765. In reply to Question 7 (v) you say that further check on dishonesty and fraud on either side can be brought about by setting up registration offices more extensively over the province and by lowering the scale of fees for registration. Are not the formalities of registration likely to repel the borrowers?—Not necessarily. The formalities of which you speak are very simple and the people are accustomed to them. It is only the registration fee and the distance of the registration office that stand in the way.

766. **Dr. Sinha:** You don't want compulsory registration?—No, that would mean a change in the law.

767. **Dr. Law:** With regard to indigenous bankers you say that if they combine into Joint Stock Companies they would find it more economical but you have also said that they are already very economical in regard to their expenses. How can they be still more economical?—If they all combine, say 20, and appoint one gomosta, their establishment expense will certainly be less.

768. By such combinations the cultivators are not benefited?—If the incidental cost of the money-lenders is less, they will be able to reduce their interest.

769. What attraction is there for the indigenous bankers to combine?—If they combine the cost of litigation will also be much less.

770. What is your idea about the return of bhadralog money-lenders?—I don't think they get more than 15 per cent. in spite of the caution they usually take.

771. In reply to Question 11 (i) you say that the big Joint Stock Banks should to a greater extent attend to accommodating these village banks and should accept properties in the mufassal against their advances. Will it be possible for these banks to accept such properties as security against their advances?—Now that the occupancy holdings are transferable what is the risk?

772. Do you think it feasible that these Joint Stock Banks should be lending money on the security of lands?—If they have a liquid reserve I do not think any harm will be done by their lending money in this way. I don't suppose that any money will be lying idle.

773. **Dr. Sinha:** Have these Joint Stock Banks in Calcutta sufficient amount of local knowledge to give advance to agriculturists?—They have not such knowledge.

774. **Dr. Law:** You don't ask them to deal directly with the cultivators?—No, through Co-operative Banks.

775. **Dr. Sinha:** Why do you want them to borrow money from Joint Stock Banks?—I don't think the Co-operative Banks will be able to finance the societies if we have as many societies as are required.

776. **Dr. Law:** In reply to Question 11 (3) you speak of local directorate of these Joint Stock Banks. Do you think that the indigenous bankers will take sufficient interest in the institution in view of the fact that it is an institution that will compete with their business?—If the indigenous banking system is linked with the central money market, the indigenous bankers will themselves feel interested in it.

777. **Dr. Sinha:** In page 9 of your memorandum you have suggested what may be called Darling's method of estimating agricultural

indebtedness from property and debt statements in some Co-operative Central Banks. Have you made an estimate of the total agricultural debt of the district of Nadia according to this method?—Yes.

778. What is your estimate?—Rs. 99,40,270.

779. We have got here returns from 4 out of 5 Central Banks of the Nadia district. The return for 4 is 22 lakhs for inside and outside debts. How could you get these 99 lakhs?—I have arrived at the figure not by adding the inside and outside debts of members of rural societies. I have taken the debts of members of rural societies to the societies as the unsecured debts of the members. To this I have added the unsecured debts of the agriculturists who are not members of Co-operative Credit Societies and the total registered debt in the district and have thus arrived at my estimate.

780. Is it true that generally those who are involved in debt resort to the Co-operative Societies?—That is true to a certain extent.

781. You suggested that you could apply this method for tackling the total agricultural indebtedness in the province. How do you obtain the number of families? May I take it that so far as Bengal is concerned it is Rs. 85 lakhs plus half of Rs. 7,54,000?—Yes, that is my idea.

782. What is the basis of your assumption that mortgage loans during 1928-29 multiplied by 6 will give the outstanding mortgage loans in the district?—Because mortgage loans become barred by limitation after 6 years. In the case of unsecured loan I multiply by 3 because it becomes barred by limitation after 3 years.

783. With regard to the estimate of unsecured loans in page 10 how have you calculated the indebtedness of members of Co-operative Societies? Do they refer to two Central Banks only?—It is the indebtedness of the societies of all the 5 Central Banks in the district. I have got the figures from the Sub-Registrar's office.

784. You have estimated paddy loans as half of other loans. What is the basis of your estimate?—It is purely by guess.

785. You have referred to loan offices in the district. Does any of these loan offices allow current accounts withdrawable by cheque?—There is no cheque system.

786. **Khan Bahadur A. Haque:** Referring to these loan offices, you say that Joint Stock Banks are conducted in an outlandish and official way. What are exactly the complaints?—They are not complaints. When a man goes to borrow money from a loan office he has to wait indefinitely and submit himself to many other formalities. But if he goes to the mahajan, he goes there and straightaway gets the money.

787. Is it not a fact that a man has to go to the mahajan also for innumerable times to get a loan?—Yes, in some cases. But the transaction is more of a homely nature than of an official character.

788. When you say that the mahajans should be linked up to a central money market and you also say in reply to Dr. Sinha's question that there is absence of local knowledge in the Central Joint Stock Banks, don't you think that these mahajans will supply the local knowledge to these banks?—Yes, they will.

789. You took a leading part in the organisation of the Bhatina Co-operative Society in Birbhum district. In that area amongst the Santals

do you think that the habit of drinking pachwai stands in the way of starting Co-operative Societies?—Yes, it does.

790. In that society our Committee found that the Chairman was borrowing money from the society and lending it to other members?—That must be due to defective supervision.

791. Would you advocate that given certain advantages there may be legislation for voluntary registration of money-lenders?—I don't think it is necessary.

792. With a view to protect extreme hard cases of usurious loans would you not require some sort of legislation?—I don't think so. The courts might be given more power.

793. You say that indebtedness is generally on the increase. Why?—The standard of living, not of diet but in clothing, has increased.

794. You said that money-lenders are ordinarily over-cautious and you say that after calculating litigation expenses, they don't get more than 15 per cent. return. Do they lose their capital?—I know of several families in my native village who were very prosperous money-lenders, but they have lost all now and they were paupers because they could not realise their money.

795. You say that money-lenders are becoming fewer nowadays. Do you think the agriculturists have suffered by the decrease of the money-lenders?—Yes, I think they have suffered specially where there are no Co-operative Societies.

796. To what would you ascribe the fact that these people are not able to pay?—Failures of crop are now more frequent than in the past.

797. Generally speaking, what is your idea as to whether the cultivators are honest or dishonest?—Generally, the cultivators are honest, so are the money-lenders.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CHITTAGONG.

FIRST DAY.

February 13th, 1930.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. D. N. Sen, Sadar Subdivisional Officer, Noakhali, called and examined.

798. **Khan Bahadur A. Haque:** Mr. Sen, you were the Subdivisional Officer of Birbhum?—Yes.

799. You were also in the Settlement Department?—Yes.

800. Will you kindly let us know the different factors which affect the value of land in the different districts of Bengal?—The different factors which affect the value of land are: firstly, the rate of rent; secondly, the amount of salami; thirdly, the nature of interest; fourthly, the site value; and lastly, the convenience of the vendor.

801. Has the amendment of the Bengal Tenancy Act affected value of land in any way?—No.

802. You know that according to the recent amendment of the Bengal Tenancy Act, 20 per cent. of the price has to be paid by the purchaser as salami. Has not that in any way affected the price?—No, nowadays, to evade the 20 per cent. salami mortgages have alarmingly increased, while the sales have decreased. In Noakhali district I know that people are creating under-raiyati interests instead of selling.

803. Is there any difference between the rent of land in the Birbhum district and that in Noakhali?—There is not much difference.

804. Is there any difference between the rates of interest in the two districts?—No, the rate of interest which is realized by the mahajans varies from Re. 1-9 to Rs. 3-2 per cent. per month, i.e., 18½ to 37½ per cent. per annum.

805. Is any compound interest charged?—Yes.

806. What is the period of rest?—I have not enquired.

807. Would you please give us an idea of the nature of trade and business that is done in the district of Noakhali?—In the Noakhali district there is considerable trade in jute. There are the small *farias* in the village, who collect and purchase jute from the cultivators. Then there are the big *farias*, locally known as *chatties*, who purchase from the small *farias*, and sell to the *dalals*. The *Dalals* sell to the *aratdars*. Thus there are three or four intermediate agencies between the growers and the *aratdars*. These *aratdars* send jute to Calcutta markets. There are also the *supari* (betelnut) and paddy trades. In *supari* trade there are not many intermediaries. When the grower wants money, he takes the nuts direct to the market. The paddy grower should get better price if a few rice mills are started. There are none at Noakhali now.

808. What is the rate of commission charged by each of these different intermediaries?—I made enquiries as to the margin of middlemen's profit and gathered that the middlemen's profit depends upon the degree of speculation. The profit often is very small, and sometimes the *dalals* have to sell even at a loss.

809. In advance sales by *dadans*, is the price fixed beforehand?—I have no knowledge. I have only ascertained that *dadans* are made by the small *farias*.

810. Can you suggest how the high rate of interest, which you have given us as prevalent in the district of Noakhali, viz., $37\frac{1}{2}$ per cent., could be effectively lowered?—I have given $37\frac{1}{2}$ per cent. as the maximum, the general rate is $18\frac{1}{4}$ per cent. The Co-operative Credit Societies have considerably lowered the local rates of interest. In order to reduce the rates of interest, I would suggest the establishment of Co-operative Rural Societies. These societies should, however, be in a position to advance larger sums than they are doing at present.

811. Do you mean to say that at present owing to paucity of capital they are unable to meet the full requirements of the people?—Yes.

812. What is the average indebtedness of a family in the Sadar subdivision of Noakhali?—There are about 1,200 families in each union and only 20 per cent. of these families are free from debt.

813. How do you arrive at this figure?—I got it from the Noakhali Gazetteer which reads as follows: "From enquiries made by the Magistrate in 2 selected Panchayati Circles it was ascertained that in one Circle out of 833 families, 218 or 24·7 per cent. are free from debt and 102 or 11·5 per cent. are very poor; 107 families or 12·11 per cent. have contracted debt amounting to twice their annual income or more. In 29 or 27·1 per cent. of these cases the debts are due to the requirements of trade or the purchase of landed property, while in 57 or 53·3 per cent. the indebtedness is on account of expenditure on social ceremonies. In only 22 cases the debts are reported to be due to litigation. In other Circles out of 935 families 268 or 28·6 per cent. are free from debts. While 152 or 16·3 per cent. are without any landed property. The debts incurred by 142 families or 15·18 per cent. amount to twice their annual income or more. Out of these 142 cases, 54 or 38 per cent. have contracted debts for trade purposes or purchase of lands and 45 or 31·7 per cent. for expenses on social ceremonies." I think the indebtedness has increased. Formerly, the percentage of families free from debts was 28 per cent., now it is about 20 per cent.

814. Will you kindly let us know why the indebtedness is on the increase?—The reasons are mainly (i) the increase of population, (ii)

lands are getting less productive, people attach more importance to the reclamation of waste lands than to increasing the productivity of lands, (iii) the standard of living is going up, (iv) social customs and religious ceremonies. Naturally the income falls short of the expenditure.

815. Do you think that some sort of control over the rate of interest of the mahajans is necessary?—Unless sufficient capital is found to adequately meet the needs of the agriculturists, no control is possible.

816. **Khan Bahadur H. U. Ahmed:** You say that indebtedness is on the increase. Is not the surplus of agricultural profit very small?—Yes, saving is almost nil.

817. Under the circumstances do you think that advancing loans freely to these agriculturists will improve their economic condition?—No. My complaint is that these mahajans, Joint Stock Banks and even the Co-operative Societies are inducing the people to take loans. In a sense they are exploiting them.

818. How do you propose to deal with this problem. Do you suggest that they should take to some subsidiary industry?—The first problem which should be tackled is indebtedness. Unless their indebtedness is wiped out, they will not be able to take part in any subsidiary industry. People should be taught the benefit of thrift and not to be extravagant.

819. You know that in the majority of cases they have not sufficient means to barely maintain their families?—What I want to say is that the people should be educated. They are now improvident, and very litigious.

820. **Dr. Sinha:** Do the Rural Credit Societies in the Sadar subdivision of Noakhali take mortgages of land when they advance money?—They lend sometimes on personal security and sometimes on mortgage.

821. What is the proportion of mortgages?—I don't know.

822. Are they very frequent?—In many cases.

823. **Chairman:** Can you suggest any measure for the improvement of record-of-rights so as to simplify reference and to avoid possibilities of disputes and counter claims by parties other than those who are the clients of the Bank?—The maintenance of the record-of-rights in proper order and up to date is very desirable and the way in which this can be done is to keep kanungos and some other staff specially for this purpose. When plots are not sold in entirety, the kanungo will go to these plots and make necessary demarcations and corresponding alterations in the map and the record-of-rights.

Khan Bahadur Saiyid Muazzamuddin Hosain, Subdivisional Officer, Feni, and Chairman of the Feni Central Co-operative Bank, called and examined.

824. **Khan Bahadur A. Haque:** Can you give us an idea as to profit made by cultivation of aman paddy?—We worked it out in connection with the Jessore Settlement and found that the amount of margin is just sufficient to meet the bare living costs of the cultivator. For a bigha of land a man gets Rs. 5 as his margin of profit.

825. What is the margin for jute?—The margin is about Rs. 30. If, however, the cultivator has to borrow money at a high rate of interest the margin will be less.

826. In making the calculations did you exclude the cost of labour of the man himself?—Yes, his own wages have been excluded.

827. Are the conclusions for the district of Jessore applicable to other districts?—It is the same in Mymensingh, too.

828. The soil of which district is the best?—Mymensingh is the best. For paddy, Barisal is the best.

829. Do the *farias* give advances to the raiyats?—No, but the *beparis* do so.

830. Does not that advance cover a large part of the finance of the agriculturists?—Not very much.

831. What are the purposes of these advances?—It is really in order to secure the jute crop at a cheaper price.

832. Do you think that the prices are affected by such an advance?—It is an advance sale really. The prices are fixed beforehand. For the last few years it has been for the good of the cultivators. It is common only in a few villages.

833. What are the places where such advances prevail?—Bhairab and Narayanganj.

834. Do you think that agriculture has become more costly than before?—Yes, because the cost of labour has gone up.

835. As regards the question of the agricultural indebtedness, are you in favour of some sort of control over the mahajans? Would you like to have some sort of law controlling their operations?—There is already the Usurious Loans Act.

836. Would you like the maximum rate of interest to be fixed by legislation?—Yes.

837. **Dr. Sinha:** In a certain district some loan offices grant loans at 75 per cent. and sometimes it goes up to 93½ per cent. So what would be the standard rate of interest?—For secured loans it should be 9½ per cent., and for unsecured loans 12½ per cent. for the whole province.

838. **Khan Bahadur Azizul Haque:** You say in reply to Question 2 (vi) (b) in Part I: "It is true and very true that the grower of produce in India does not get full value for his produce owing to speculation among buyers and this is particularly noticeable in the case of jute." How does that speculation affect the cultivators?—They cannot hold on for a better market. They have also to depend on chance.

839. You say, the recent Bengal Tenancy Act has not succeeded in enhancing the credit of the agriculturists. Has it decreased?—No.

840. You say in answer to Question 4 (vi) that the co-operative societies should keep mortgage of all the lands of the members and should take the responsibility of not only clearing off their old debts but also of financing each individual member for agricultural requirements and subsistence. Is it your idea that existing rural societies should undertake this business?—Yes.

841. **Dr. Sinha:** At present rural societies attract short term funds. How can they repay old debts by loans which must necessarily be for considerably long terms?—They can do so, if they can get similar terms from the Central Bank.

842. Central Bank deposits are also for short terms?—I think it should be extended to 10 years.

843. **Chairman:** Have you thought of another aspect of this question, viz., that the rural societies being organised on the basis of unlimited liability, their liabilities will vastly increase, if these big loans are going to be given and this will deter the members from joining it?—In these circumstances, I think it would be better to have separate banks for clearance of old debts. I would suggest separate land mortgage banks.

844. **Dr. Sinha:** What should be the area of operation of a land mortgage bank?—One land mortgage bank in each thana.

845. You say in reply to the next question that it is desirable to keep the record-of-rights up to date by arranging for its perpetual maintenance. What will be the approximate cost and what will be the agency?—Agency would be Sub-Registrars and cost would be 20 per cent. in addition to the cost of Sub-Registrar's staff.

846. In reply to question 4 (vii) (b) you say, certificate officers under the Public Demands Recovery Act should have special powers of foreclosure and sale on application by land mortgage co-operative societies. Don't you think that it would cause hardship?—No.

847. You have said in reply to question 2 (iii) that the existing sale societies are all isolated and are not linked with any central organisation. Do you know that there are central societies such as Wholesale Society in Calcutta?—I had no jute sale society in my mind in replying to your questions. I spoke of other societies.

848. **Khan Bahadur H. U. Ahmed:** You say that you want separate land mortgage societies under Central Banks, one for short term loan with unlimited liability and another for long term?—Yes.

849. Don't you think that the cultivators' indebtedness will increase as they will borrow money from different societies?—No, they will not have to go to the mahajans when they are in need of money.

850. Sale and Supply Societies are run on a shop system?—Yes.

851. What is the reason of their failure?—Dishonesty of sellers and adulterated things.

852. What is the remedy?—Improvement of management and introduction of running audit.

853. Can you suggest any means to improve the income of the agriculturists?—This can be done by supplementary industries such as spinning and weaving and other works.

854. Have you got any idea of loan offices?—Not much.

855. **Chairman:** Have you come across any Cattle Insurance Societies in your experience as Assistant Registrar of Co-operative Societies?—No.

856. Do you think they should be organised?—Yes.

857. And Flood and Famine Insurance Societies?—Yes, they should be organised also.

Mr. S. L. Nandi, Income-tax Officer, Tippera and Noakhali, called and examined.

858. **Dr. Sinha:** What is the total number of firms and individuals assessable for income-tax, who carry on indigenous banking in the districts of Comilla and Noakhali?—(By indigenous bankers, I mean those firms or individuals who accept deposits or deal in *hundis* or do both?)—There is one at Comilla and two at Chandpur. There are one or two at Lakkhipur. In all there are about 10 in the district of Noakhali and about 12 in Tippera.

859. How many of them are Bengalis?—Practically all of them, except two at Chandpur who are Marwaris.

860. Is there any difference in the lines of business undertaken by the Bengalis and the non-Bengalis?—Their nature of business is exactly the same.

861. Do they do any other kind of business?—They do. They deal in rice, corrugated iron, chillies, etc.

862. What is their main profession?—Banking is only subsidiary, they are merchants first and bankers afterwards.

863. How and to what extent do the indigenous bankers in these two districts assist in financing agriculture?—They do not assist in financing agriculture or tea gardens, but at the time of the chilli harvest, these indigenous bankers give advance or current account on the system which is known as "*dharti-sud*." The interest is payable on every *hat* day, and it is 2 annas per rupee, per *hat*. There are two *hats* every week, so, it comes to 4 annas per rupee per week.

864. What is the amount of such loans?—Rs. 40 to Rs. 100.

865. Apart from this, do they help any other business?—No, nothing in particular.

866. Can you give us an idea of the amount of capital invested by these indigenous bankers?—No, we tried our best but we could not get any figures.

867. I take it, the figures which you have supplied refer to indigenous bankers, who have got assessable income?—Yes.

868. What are the different forms of *hundis* prevalent in these two districts?—*Darsani hundis* are only prevalent.

869. What is the rate for discounting such *hundis*?—Re. 1-4 per thousand rupees. Previously, it was Re. 1-14 to Rs. 2-8. As a result of competition with the Joint Stock Banks, the rate has come down.

870. You have told us that these indigenous bankers give loans to the petty traders. Do they grant loans to other classes of people?—Yes they do, but that is a separate line altogether. They have got some money-lending business at their native place. The amount of interest on such business varies from Rs. 2-8 to Rs. 3.

871. Do they charge compound interest?—Yes.

872. What is the usual period of rest?—The agreement is to pay at the stipulated time, and if they fail compound interest is charged.

873. You want to say that compound interest is a sort of penal rate—stipulated only to ensure punctual realization?—Yes.

874. Do these indigenous bankers accept deposits?—They only receive deposits on current account.

875. **Khan Bahadur H. U. Ahmed:** Is it only for safe custody?—No.

876. **Dr. Sinha:** What is the rate of interest?—Generally, 10 annas to 12 annas per month.

877. After making allowance for legal expenses, expenses on account of management and losses, can you give us the net return of these indigenous bankers?—I think it is 6 to 9 per cent.

878. Is the amount of income-tax paid by the indigenous bankers on their banking business now, smaller or larger than it was 5 years ago?—We could not collect separate figures to give you an estimate of this.

879. What is your impression? Has it declined or improved?—I think it is on the decline.

880. So far as money-lenders are concerned, are they on the increase?—Yes.

881. Have the loan offices in your district got current account withdrawable by cheques?—I have not come across any.

882. With regard to the loan offices, could you give us some idea about the rate of interest the loan offices pay on different classes of deposits?—I have consulted the loan offices as far as possible and the rates are given in my written reply.

883. What is the period of their notice?—Generally a fortnight to one month.

884. What proportion of the fund in the loan offices is invested in Government or marketable securities?—I can't say.

885. Have you any idea as to how their reserve fund is invested?—It is invested in Government Promissory Notes.

886. Is there any definite period for which loans are granted by the loan offices?—No.

887. On what securities do the loan offices grant loans?—Most of the loans are given on personal security and some on the hypothecation of goods and shares.

888. You have said that the loan offices are doing *hundi* business, is it mainly for remittance purposes?—The loan offices have monopolised the *hundi* business. It is mainly for remittances to Calcutta.

889. Do these loan offices undertake any other kind of business, such as zamindari, etc.?—I have not come across a single case of these bankers doing zamindari work.

890. Will you kindly describe the present method of keeping accounts in the loan offices?—They maintain a book method system. They show on their credit side both interest they receive in cash and that which is receivable but not realised. They show the entire amount of what we call book profit, which is not realised, but they deem it as realised. That is known as Mercantile Accounting System, which is in vogue in most of the loan offices. In Brahmanbaria, however, they have introduced another system which is as follows:—While showing the receipts they show the amount actually received as interest; while showing the expenses they show the interest actually paid. The net result of both the systems is ultimately the same.

891. Don't you think that for purposes of audit, uniform system of accounting should be introduced in all the loan offices?—For purposes of audit it is not necessary.

892. **Chairman:** What do you think to be net return of the village money-lenders?—There are two classes of money-lenders. One class advance strictly to the agriculturists; in their case we generally take it to be 12 to 15 per cent. The second class advance to the intermediate money-lenders, and in their case we take it to 7½ to 10 per cent.

893. **Khan Bahadur A. Haque:** Do you think that the income-tax paid by the money-lenders is on the increase?—Yes.

894. What do you think to be the percentage of their increase during the last 5 years?—I think it has increased by 40 to 50 per cent.

895. Could you give us an approximate idea of the income-tax paid by these money-lenders?—I think it was about Rs. 50,000 paid by all money-lenders, in 1928-29.

896. What will be the capital employed?—Roughly, Rs. 20 lakhs.

897. Has there been any competition between them and the loan offices?—Yes.

898. In your experience have you found that the money-lenders as a class are decreasing or increasing?—I find it is increasing in the mufassal; the people there find money-lending to be most profitable.

899. There are some people who are just on the margin of assessable income. Could you give us an idea about the extent of their capital?—No.

Mr. M. K. Banerjee, Income-tax Officer, Chittagong, called and examined.

900. **Dr. Sinha:** How many indigenous bankers are there in this district?—There are three or four indigenous bankers.

901. Do they accept deposits?—Yes, generally from their own clients.

902. Are these fixed or current deposits?—Generally current.

903. What rate of interest do they bear?—Generally from Re. 1 to Rs. 2 per cent. per month, but during paddy season the rate is higher. It is sometimes Rs. 2-8.

904. What is the rate of interest charged by them on loans?—9 to 15 per cent.

905. Do they deal in hundis?—Yes.

906. What kind of hundis?—Both *darsani* and *muddati*.

907. What is the rate of discount on *muddati hundis*?—The rate is 7½ per cent.

908. What is the period of usance of the *muddati hundis*?—Generally 30, 60 and 90 days.

909. What class of hundies are most prevalent?—*Darsani*.

910. Has the circulation of *darsani hundis* increased on account of the abolition of stamp duty?—I can't say.

911. Do these indigenous bankers do other kind of business?—Yes. they have business in paddy, tobacco, etc.

912. The hundi business is only subsidiary?—Yes.

913. **Chairman:** Supposing you know the amount of capital of an indigenous banker or money-lender, but you don't believe his books. At what rate will you assess his income for charging income-tax?—10 per cent. on the capital for money-lenders and 7 per cent. for indigenous bankers.

914. **Dr. Sinha:** Has the amount of income-tax paid by the indigenous bankers increased or decreased?—In this district, I think it has declined.

915. Can you give us any reason for this decline?—Growth of co-operative societies and depression in trade.

916. What is the rate of interest usually charged by the money-lenders?—Usually from 18½ to 37½ per cent.

917. Will you kindly let us know the total amount of income-tax paid by the money-lenders?—For the years 1928-29 the amount was Rs. 9,235.

918. **Chairman:** Do you know anything about the working of the National Bank in discounting hundis?—No.

919. **Dr. Sinha:** Are the money-lenders as a class on the increase or decrease?—They are not on the increase.

920. What is this due to?—Because of the co-operative societies and loan offices.

921. **Chairman:** How many loan offices are there in this district?—Six, The Mahalaxmi Bank, Chittagong Loan Office, Chittagong Bank, Eastern Union Bank, Comilla Bank, Indo-British Trading Bank.

922. **Dr. Sinha:** What are the rates of interest allowed on different classes of deposit by these loan offices?—6 per cent. for 6 months, 8 per cent. for 1 year, 9 per cent. for 2 years and 10 per cent. for 3 years.

923. Do they undertake any business other than money-lending?—I don't think they do.

924. Are the loans generally on mortgage or on personal securities?—Generally on mortgage.

925. What rate of interest do they charge on loans granted by them?—At present, I have got no figures, but I will send it later on.

926. What proportion of their profit is utilised in working up the reserve fund?—About 30 per cent. of the annual profit.

927. What are the rates of dividend allowed by these banks?—The Mahalaxmi Bank gave 15 per cent., the Eastern Bank about 10 per cent.

928. Is the reserve fund separately invested or included in working capital?—It cannot be ascertained as these people are very shy.

929. Do they issue cheques on current accounts?—The Mahalaxmi Bank issues cheques.

930. Have they got hundi business?—Yes, some of them have.

Dr. Beni Mohon Das, Ex-Secretary, Chittagong Urban Bank, and Mr. Jogesh Chandra Sen, Secretary, Chittagong Central Co-operative Bank, called and examined jointly.

931. **Chairman:** When was the Co-operative Urban Bank started?—(Mr. Das) In 1916.

932. What is the working capital now?—About 11 lakhs.

933. What kind of work does it do?—It gives loans to traders and wage-earners.

934. What is the security on which it gives loans?—Generally, on personal security and sometimes on mortgage.

935. For what periods are loans given to traders?—Generally short-term loans, not exceeding 6 months.

936. These loans are given for the purpose of financing the movement of crops?—Yes, chiefly for that purpose.

937. Are any loans given to the traders for the purpose of buying and selling imported goods like corrugated iron, piece-goods, etc.?—Yes, that is also financed, but not so much as movement of crops; chiefly rice and cotton. Rice business is generally confined to Akyab.

938. These loans to the traders are usually given on promissory notes?—No, on ordinary bonds.

839. Do you use any Bills of Exchange?—No, we have not started it, but we intend doing so.

940. What other class of persons do you finance?—Government servants and merchants.

941. Those loans are also for short-term?—No, they are generally long-term, usually for 3 years.

942. What deposits do you take?—Fixed deposits for 6 months, 1 year, 2 years and there are one or two for longer periods.

943. What is the rate of interest?—6, 6½ and 7 per cent.

944. In these deposits which you take, do you compete with the Central Bank?—No, their rate is also the same.

945. Are these deposits received from local people or from people from other districts?—Mostly from local people.

946. What is the total amount of deposits?—I cannot say without referring to the Balance Sheet, which is not here.

947. **Khan Bahadur H. U. Ahmed:** What is the jurisdiction of the Urban Bank?—The municipal area of the Chittagong town.

948. At what rate of interest do you advance money to the members?—We usually advance at 15 per cent.

949. Loan offices also accept deposits. Is their rate the same?—No, they offer a higher rate.

950. Is there any rivalry between the Urban Bank and the Loan Offices?—There is rivalry, but not unfair or unhealthy; the tendency of the people, however, is to go to the Co-operative Bank.

951. People have greater confidence in your bank than in the Loan Offices?—Not in every case. Some people would prefer higher rate of interest to better security.

952. Have you introduced any other sort of deposit?—Yes, we have introduced Provident Fund deposits and home-safe boxes.

953. What is a Provident Fund deposit?—The deposit is received in easy instalments of Re. 1 or Rs. 2 a month for 10 years or so, when it matures and is refunded with $6\frac{1}{4}$ per cent. interest compounded annually.

954. What do you pay on Savings Bank deposits?—We pay interest at 4 per cent. per annum up to Rs. 1,000 for each account but no interest is paid on amounts exceeding Rs. 1,000.

955. What would be the percentage of the members using home-safe boxes?—Home-safe box has not been very popular because no earnest effort has been made to introduce them.

956. Have you extended this privilege to members only or to outsiders, too?—We confine it to our members and their families.

957. **Chairman:** Have you got any current deposits?—No, we have not yet introduced this.

958. **Khan Bahadur H. U. Ahmed:** Have you any dispute cases?—Yes, there are about 20 outstanding cases.

959. Whom do you find more punctual, the wage-earners or traders?—I think, they are equal, both in regard to default and punctuality.

960. Have you any paid staff for management?—Yes, we have got a Manager, who is also the Treasurer, and a separate Accountant and clerk.

961. Is the office building your own?—Yes, we own it jointly with the Central Bank.

962. Is your bank affiliated to the Central Bank?—Yes.

963. Do you take loans from the Central Bank?—No. We have a cash credit with the Imperial Bank, Chittagong and we sometimes borrow from the Provincial Bank.

964. What is the amount of cash credit?—Rs. 1,50,000.

965. What was the overdraft on your cash credit this year?—We have drawn over a lakh of rupees.

966. **Khan Bahadur A. Haque:** What is the nature of your transactions with the Imperial Bank?—Cash credit and overdrafts against Government Promissory Notes.

967. What interest have you to pay on the overdraft?—1 per cent. above the Bank rate.

968. In your transactions with the Imperial Bank branch here do you find any difficulty?—Lots of difficulty. A cheque was drawn for Rs. 4,000, but they paid only Rs. 3,000. The case is pending in court.

969. Is there any other difficulty?—We hear lots of cases like this. The Agent of the Assam-Bengal Railway has himself to take railway money to the Bank and both the parties count the money together because lest the Bank might say after counting that they had received, say, Rs. 1,000 short.

970. Is there much business done in tea in this district?—Yes, business of about 12 to 15 lakhs of rupees.

971. How are Indian gardens financed?—Lately some 4 gardens have been started. They are being financed with extreme difficulty. I used to have a personal credit of Rs. 30,000 with the Imperial Bank, but now they don't give me even Rs. 3 as I am dealing in tea.

972. **Chairman:** They gave a credit of Rs. 30,000 on what?—Personal credit. Of course, I had to give a guarantee.

973. Are you a tea planter or a tea broker?—Tea planter. I have purchased the Rangapani Tea Co. which previously belonged to a European, who used to get money freely from the Imperial Bank.

974. **Khan Bahadur A. Haque:** There is considerable movement of crops in the Chittagong district?—Yes.

975. Do the Imperial Bank or National Bank lend any assistance to this trade?—Yes, they finance cotton, as it concerns foreign export. Cotton from this place is exported and this is financed by the Imperial Bank.

976. You have seen the development of Co-operative Urban Banks as also of Joint Stock Banks. On a comparison of the working of the two what is your impression of the Joint Stock Banks? Do you think there should be anything done for the protection of the depositors?—I do not think anything special is necessary.

977. **Chairman:** It appears that long-term credit, if given through rural Co-operative Societies, always results in heavy overdues. In order to avoid this contingency it has been proposed that land mortgage banks should be established. What should be the constitution of these banks? Should they be parts of the Central Banks or separate institutions?—(Mr. Sen) I think the Central Banks can easily do these things.

978. **Dr. Sinha:** How would you provide funds for this long-term business?—I think in order to do real good to the people State aid is necessary.

979. Will you be able to attract money by way of long-term deposit?—(Mr. Das) Very rarely in the present state of things.

980. What is the longest period for which you accept deposits?—(Mr. Sen) Deposit is kept for 3 years in the beginning and is generally renewed for further periods covering, say, about 10 years.

981. For what period would land mortgage banks grant loans?—12 to 20 years.

982. How would you find money to meet these loans?—If there be a land mortgage department attached to the Central Bank, public confidence will increase and more money will be forthcoming.

983. What agency would you have for financing these land mortgage departments?—There must be some Government banks or Government aid. (Mr. Das) Debentures might be issued by such banks, but my idea is that such debentures will not be very popular outside Calcutta.

984. **Chairman:** Will they not, if Government guarantee interest on such debentures and if they are negotiable?—In that case, of course, there will be no difficulty.

985. **Khan Bahadur A. Haque:** Is there any boat-making industry in Chittagong?—Yes, Sampans are still being made.

986. How are they financed?—By money-lenders.

987. **Khan Bahadur H. U. Ahmed:** Do you think if separate land mortgage banks are established, the existing Central and Rural Co-operative Banks will cease to operate?—Yes.

988. **Chairman:** Do you think the benefit of Postal Insurance, which is at present confined to Government servants only, should be extended to the public to make it more popular?—(Mr. Das) Yes, it should be made popular in the manner suggested, as we are being exploited by the foreign Insurance Companies.

989. In view of the fact that the rate of mortality among Government servants is quite different from that of the general public, do you think the rates of premium should be the same or less than those offered by other insurance companies?—It depends on the benefits involved. Any way it should not be more. (Mr. Sen) I agree.

990. **Chairman:** Are the Postal Cash Certificates popular in this district?—(Mr. Das) Not at all.

991. Why?—This is partly due to the absence of investment habits in the people and partly to the indifference of the post office, which does not care to induce people to do so.

992. Do any people in Chittagong invest in Treasury Bills?—No, I have not heard of any one.

993. Are the Post Office Savings Banks popular here?—No, Savings Bank of the Co-operative Urban Bank is more popular. The post office people are unduly fastidious over signatures and identifications.

994. How many withdrawals do you allow in the week?—Subject to finance being available, we allow daily withdrawals like current accounts.

995. **Dr. Sinha:** Do you insist on a minimum balance?—No, but we have a maximum limit of Rs. 1,000 for each account.

996. **Chairman:** Is there any hoarding of gold and silver in this part of the Province?—No, it is on the decline. Bengali people in Chittagong never hoard gold and silver. Only Burmese settlers and Marwaris to some extent are still in the habit of doing so in the shape of ornaments.

997. **Chairman:** How is the Co-operative Industrial Union working here?—It is working at a loss, because sufficient funds are not available, particularly in times of extreme need.

998. **Khan Bahadur A. Haque:** Don't you get money from the Provincial Bank?—Not to the desired extent.

999. What time is usually taken for the money to come from the Provincial Bank?—It generally comes too late.

1000. Do you think any special facilities for remittance should be given to such institutions?—Yes, co-operative societies should be given the privilege of remitting money through the post office at concession rates.

CHITTAGONG.

SECOND DAY.

February 14th, 1930.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. Satyendra Nath Dutta, Subdivisional Officer, Cox's Bazar, called and examined.

1001. **Chairman:** Does the Co-operative Sale Society at Kutubdia deal only in rice?—It deals in rice, paddy, kerosene and other commodities, such as sugar, etc.

1002. Does it purchase paddy and rice from the members or non-members as well?—Chiefly from the members.

1003. To whom does it sell?—To the dealers.

1004. Is it working successfully?—No.

1005. What is the reason?—Last year, as there was no market for paddy, they had to stock a large quantity, and afterwards sell at a low price.

1006. Do you still recomunend these pools? Do you apprehend any difficulty in running such pools?—But the difficulties will not be there if they are properly managed. There is no reason why they should not find a market. In the case of the Kutubdia Society they could send their paddy to Chittagong or some other place, but instead of doing that they waited for dealers to come, but the dealers generally do not come at the proper time.

1007. **Khan Bahadur A. Haque:** Are the subsidiary industries in your subdivision in declining or prosperous condition?—As a matter of fact, there are no real industries, they are industries only in name. My idea is that they can be developed.

1008. If they are developed, don't you think that the credit position of the people will improve?—Certainly, but they find difficulty in marketing, that is, in competing with the ordinary dealers.

1009. You have suggested the establishment of special banks for financing industries. How should these industries be organised?—My idea is that we must have small industries of various types. At present they have not got any security to offer to the mahajans who charge exorbitant rate of interest. Loans should be given to them on personal credit, and for this I suggest some sort of State aid.

1010. Is it possible for these industries to prosper without State aid?—No, it is not possible.

1011. You think that some legislation should be introduced to check the extortionate rate of interest charged by mahajans?—I do not think it necessary, although the Usurious Loans Act is not sufficiently effective.

1012. Are the agricultural loans sufficient?—No.

1013. You have said that the Co-operative Societies do not attract deposits. What are the reasons?—The main reason is that the Co-operative Societies lay more stress on the lending side of the question. They are short-staffed; they cannot devote much time for attracting deposits.

1014. You think that the present rate of development stands in the way of attracting deposits?—Not only that, it affects the quality of the society.

1015. What percentage of the societies are good societies?—I think the good societies do not number more than 10 per cent.

1016. Is it your experience that good societies also deteriorate?—I have not studied any particular case.

1017. As regards Postal Cash Certificates, you say they are not popular in your subdivision. Why?—They are known only to middle class people. More propaganda is needed to make their advantages well known amongst the people.

1018. What are your suggestions for popularising the Postal Savings Bank?—The rules regarding signature should not be so rigidly applied.

1019. Do you recommend frequent withdrawals?—No.

1020. In case of a disputed signature does the post master refuse even if the depositor is personally known?—Yes.

1021. **Dr. Sinha:** In page 1 of your memorandum you have referred to the system of *dadans* in practice in some part of the subdivision. Can you tell us what are the chief commodities for which *dadans* are given?—With regard to paddy only.

1022. Is the money advanced on the hypothecation of paddy?—Yes.

1023. What are the rates of interest of these *dadans*?—15 to 50 per cent.

1024. Is it widely prevalent in your subdivision?—No.

1025. You have said that the Co-operative Societies give short term loans for one year and long term loans for 3 years. Do you think that loans for longer period, say for 15 to 20 years should be given?—No.

1026. You know that the raiyats have an outstanding indebtedness, how will they clear it?—They should renew their bonds, if necessary.

1027. With regard to the special banks, you have suggested that they should lend on personal security. Do you think that it would be safe for the banks to lend money in this way?—I think it should be done under the co-operative system.

1028. For what period would these banks grant loan?—For one year only. If it can't be repaid within that period, the bond may be renewed.

1029. There are Industrial Credit Societies. Why do you want these new institutions?—I don't think the Industrial Unions are quite sufficient, they are not supplying the needs in the rural areas.

1030. Do you think that the rate of interest for the Postal Cash Certificates should be changed?—I think the present rate is quite sufficient.

1031. Would you like to increase the maximum limit of Savings Bank investments?—Yes, I think the present limit is very low.

1032. Would you like to raise the Savings Bank rate of interest up to the rate of Cash Certificates?—Yes, as nearly as possible.

1033. Would you like to raise the maximum limit of investment in Cash Certificates?—No, it is quite sufficient.

1034. **Khan Bahadur H. U. Ahmed:** Don't you think that if investors are attracted by Government to the postal savings banks and cash certificates, the rural societies and other co-operative societies will suffer?—Yes.

1035. Then it is not desirable that Government should attract capital by giving more facilities?—We certainly want that more money should be invested in these banks than in the Postal Cash Certificates and the Savings Banks.

1036. As regards the Sale and Supply Societies, you have said that the sale side has not at all benefited the growers. What do you suggest to improve it?—I think the members should form pools, so that they can get better prices. At present the agriculturists are entirely at the mercy of the dealers.

1037. In reply to question 7B you refer to some "unhealthy selection" of officers in the Co-operative Department. What do you mean by it?—I mean that in some instances some responsible posts have been filled up by men without any knowledge of co-operation.

Khan Sahib Maulvi Ali Azam, Deputy Magistrate and Deputy Collector, Chittagong, called and examined.

1038. **Khan Bahadur A. Haque:** To what extent have the recent amendments of the Bengal Tenancy Act increased or decreased the credit of the agriculturists?—The amended Bengal Tenancy Act has improved the credit of the agriculturists to a small extent so far as transfer is concerned. It has, on the other hand, reduced the value of their land.

1039. Is it a fact that formerly an agriculturist, if he had an occupancy right, could transfer 15 annas interest without paying any *salami* to the zamindar?—Yes, he could.

1040. Is it your experience in Settlement that this transfer was done on a very large scale in the past?—Yes, I think 95 per cent. of the tenants of the Tippera district used to transfer the major part of their holdings, leaving out only 1 anna or 2 annas for themselves.

1041. What are the districts in which you have seen that the tenants, as a matter of fact, did transfer their land in the above manner?—In Chittagong, Noakhali, Tippera, Mymensingh, Dacca, Faridpur, Nadia, Khulna and Jessore the tenants transferred the major part of their holdings without any reference to the landlord.

1042. **Chairman:** Have you any experience of North Bengal?—I have experience of Bogra and part of Rangpur.

1043. Do you know that in Rangpur they used to get 25 per cent. *salami* before the amendment?—The landlord generally had to sue the purchasers for the *salami*. In order to avoid possible litigations, landlords were content with much less than 25 per cent.

1044. In Tippera they used to get 25 per cent. before that Act?—It was in paper only, but not in actual realisation. We never came across such cases.

1045. **Khan Bahadur A. Haque:** Formerly, good landlords were satisfied with much less than the customary *salami*. Under the present law, everybody has to pay to the full extent?—Yes, everybody.

1046. Have you noticed the effect of this Act, on sales of occupancy holdings? Have they increased or decreased?—Here they have decreased.

1047. You have been in the districts of Jessore, Nadia and Mymensingh. What are the reasons of the difference in the price of land in these districts?—The main reason is the fertility of the soil.

Mr. Niranjan Bhuiya, one of the proprietors of the Firm of Messrs. Harish Chandra Ram Kanai Bhuiya and in charge of the Chittagong Branch of the Firm, called and examined.

The following is a summary of the evidence given by him in vernacular:

1048. We purchase goods and sell to our *mokam* (branch) at Silchar. We send the money to Calcutta by postal insurance. The *hundiana* is one anna for Rs. 100. We have got no *hundi* dealings with any other banks or merchants save Laljee.

1049. Our branch here deals in kerosene, corrugated iron and various other commodities of B. O. C. products. For purchasing such commodities we draw *Darsani hundis* on our Calcutta Branch in favour of Messrs. Laljee Sundarjee of Chittagong. They discount these *hundis* at the rate of one anna per cent. and present them to our Calcutta firm where payment is made. Recently we are making more extensive use of postal insurance for financing ourselves from our various branches in the mufassal as well as from Calcutta.

1050. We accept deposits from the merchants and traders connected with our business. These deposits are payable on demand and bear no interest. Generally such deposits are repayable within a week.

1051. Our *hundis* drawn in favour of Messrs. Laljee Sundarjee on our Calcutta firm are sometimes discounted by them in the branch of National Bank of India in Chittagong. This branch sends the *hundi* to its Calcutta head office and realises money from the Calcutta firm. Our firm is 40 years old and I joined 3 years ago.

Mr. B. K. Das, Assistant Registrar of Co-operative Societies, Chittagong Division, called and examined.

1052. **Chairman:** How does the Industrial Union get its finance?—Chiefly from the Provincial Bank.

1053. The Central Bank does not help it?—Not directly, but sometimes it stands as guarantor to the Provincial Bank.

1054. It does not get any cash credit from the Imperial Bank?—No.

1055. Are the finances obtained by the Industrial Union sufficient for its purpose?—No, it is very inadequate.

1056. What would you suggest should be done to improve the finances of the Industrial Union?—Government must come forward with help in the first instance and risk the loss, if necessary.

1057. Does the Industrial Union find any difficulty in marketing the produce of the societies?—Yes.

1058. Have you any suggestions how this can be overcome?—The department has started an Industrial Sale Depot in Calcutta and the Union tried to do some business through it, but the Rural Industrial Societies could not produce things according to the samples received from the Sale Depot.

1059. How can the prices be reduced?—Supply of cheap raw materials will be necessary. These will have to be purchased wholesale from the best market.

1060. Are you getting good price for the rope that the rope-making societies are making?—Fairly good price. There are competitors also. One of the members has been appointed the selling agent and he is responsible for giving the society as good a margin of profit as he can.

1061. Are the Primary Industrial Societies organised on the basis of unlimited liability or limited liability?—They have so far been organised on the basis of unlimited liability.

1062. The Weavers' Society in Ramu?—That is also on unlimited liability.

1063. Has any such society been organised on the basis of limited liability?—There is a proposal of starting a big industrial society of weavers at Chowmuhani with limited liability.

1064. You have got some commercial Urban Banks, of which the members are traders?—Yes, we have got four in Chittagong, namely, Sadarghat, Baisyashaha, Chittagong Urban and Islamabad Town Banks. They have many traders among their members.

1065. Some of these banks deal in Bills of Exchange?—In a restricted way they do so. There was no *hundi* business formerly, but, of late, we find that some of the dealers are sending money by Bills of Exchange.

1066. **Dr. Sinha:** They have no cheque system?—No.

1067. **Chairman:** Why don't they issue cheques on the Provincial Bank?—The Provincial Bank has not introduced cheques as yet, but I understand that they are printing cheques which will replace demand drafts.

1068. Where the Central Banks have current accounts, don't they issue cheques?—No.

1069. **Dr. Sinha:** You have referred to four Urban Banks here. These banks lend money on personal credit. Is it possible for any person to become members of more than one bank and borrow on personal credit from different banks?—Yes.

1070. Is there co-ordination between these four banks here?—No, we are trying to have some co-ordination among them.

1071. Is there any touting for deposit?—No.

1072. Do you think there is any competition in regard to the rates of interest?—Yes, there is some competition. Different banks offer different rates to the depositors.

1073. **Chairman:** Does a member at the time of application state that he is not a member of any other Urban Bank?—Yes, a member has to give a written declaration to that effect in the loan application, but on enquiry I found that these declarations were not always correct.

1074. Is it not desirable that a member should not borrow from more than one bank?—I think there ought to be some restriction in the borrowing capacity of a member.

1075. How is the Milk Union in Chittagong financed?—They have got some money from the Industrial Union and the Provincial Bank at $6\frac{1}{2}$ per cent. and have also been financed to the extent of about Rs. 2,000 or Rs. 3,000 by the local Central Bank at the usual rate of interest, viz., $10\frac{1}{2}$ per cent.

1076. Who built the house of the Milk Union?—It belongs to the Municipality, which has very kindly accommodated the Union free of rent and has given every possible facility to the Union.

1077. Has it given any subsidy?—It has not yet, but it has made some provision in the budget this year.

1078. Has this Milk Union approached the Public Health Department of Government for the purpose of subsidy for purchasing a sterilising plant?—Not yet; but it proposes to do so soon.

1079. **Khan Bahadur A. Haque:** What is the total daily supply now?—About 5 maunds.

1080. Is the milk sold only to members?—Members and registered customers. Besides, there is some cash sale of about 25 seers daily.

1081. **Chairman:** Has the Chakaria Sundarban Reclamation Society been registered yet?—Not yet.

1082. How do you hope to finance this society?—The principal sources of finance will be the Provincial Bank and Government.

1083. Have the promoters applied for any Land Improvement Loan?—We have approached the Co-operative Department for securing an interest-free loan from Government.

1084. **Khan Bahadur A. Haque:** You say in Question 1 of Part I, "dealers in agricultural produce are found to come to the field to help the agriculturist with the sinister motive of capturing their produce by the system of *dadans*." Would it be possible to give an estimate as to the extent the agriculturists are deprived of their legitimate price by this system?—They have to make over their crops to those who give them *dadan* at least at $1/3$ rd less than the actual price. The cultivators get 66 per cent. only of the market value.

1085. Do these *dadandars* simply get the crops or charge some additional interest?—They charge additional interest also.

1086. Where the system of levying interest on *dadans* prevails, what is the rate of such interest?—25 per cent.

1087. Are the prices settled beforehand?—In Jute area, the price is fixed at the time of *dadan*.

1088. Is this your experience in this division or your experience in other parts of the country?—In other parts of the country, too, e.g., Rangpur.

1089. What are the hill products in this division?—Cotton, mustard seed, bamboo and sesamum.

1090. For these products, do the hill people receive full value?—No, not even half.

1091. Have the Co-operative Societies made any headway among the hill people?—At the time of our President (Mr. De) some Co-operative Societies were started, but it was very difficult to deal with the hill people. They are nomadic in habit and it was very difficult to realise their dues in time. So the societies were closed. Then we tried to enlist the sympathy of the officials there, but we did not get any response.

1092. Are the Sale Societies successful in your division?—They have not yet been able to show much profit.

1093. Why are these Jute Sale Societies working at a loss?—They have to deal with Calcutta mills. The societies have got to keep highly paid managers, mostly Europeans, and also to open out stations in the same manner as European companies. They have to meet heavy preliminary expenses and have to pay a heavy interest on block capital which they have to raise by borrowing. This is principally the cause of their failure, but had there been any backing from Government by giving interest-free loan in the beginning probably the loss would not have been so great.

1094. **Khan Bahadur H. U. Ahmed:** How do the cultivators sell their paddy?—They sell locally or in the neighbouring markets. They also try to sell through Sale Societies, if there are any.

1095. **Khan Bahadur A. Haque:** Have you any suggestion to offer as to how these Jute Sale Societies can work at a profit?—Such societies, in order to be successful, have to establish their mark in the Calcutta market. Calcutta is the chief place where jute is sold and jute societies have had to keep a well equipped establishment there to establish their "C. O. S." mark. This they have succeeded in doing. The "C. O. S." mark now fetches 8 annas more.

1096. **Chairman:** Eight annas more than what?—More than the rate which other Indian dealers get.

1097. **Khan Bahadur A. Haque:** Are these societies really confined to the members of the jute growing societies?—Membership is restricted to growers only. Purchase is made sometimes from non-members, particularly when there is any contract to be fulfilled and the supplies from the growers is insufficient.

1098. Do they give any advance to members?—That is done in some centres.

1099. Where do they get the funds from?—From the Provincial Bank at 7 per cent.

1100. How much advance do they pay to the growers?—That depends, but they do not charge any interest on such advances.

1101. In the three Jute Sale Societies what is the proportion of members' jute and non-members' jute?—The number of members is not very large at present.

1102. Is it your experience that when there is flood and distress, the number of rural societies increases much more than in normal times? There is great demand for societies from poor agriculturists when distress conditions prevail. They do not get money from local money-lenders on such exigencies.

1103. Agricultural loans given by Government do not suffice?—No.

1104. During flood and distress are new societies started on the initiative of the Department or at the requests of the people?—Requests come from the people themselves as also from the local officers of Government.

1105. Are you always sure that a society, started under such conditions is sound?—We have found that in certain areas many societies have proved quite satisfactory.

1106. What is the proper time for new organisations?—Distress time is not the most suitable time for starting these in large numbers.

1107. How many societies were started during the last Brahmanbaria flood?—About 150.

1108. What was the number of societies at Brahmanbaria previous to that?—Under the Brahmanbaria Central Bank there are about 150 societies as a result of 8 years' working, of which 30 are good societies.

1109. What period should be fair for average long term loan?—Not less than 5 years.

1110. You say, "lands of the agriculturists are passing into the hands of money-lenders" and "indebtedness is on the increase." Is this indebtedness mainly due to the co-operative societies or money-lenders?—Proportion of their indebtedness to money-lenders is greater than that to co-operative societies.

1111. Has the volume of indebtedness to co-operative societies increased?—Yes.

1112. You were Deputy Chairman, Naogaon Ganja Cultivators' Co-operative Society, for some time?—Yes.

1113. Can you give us any reason why Rural Credit Societies are not successful in the *ganja* mahals?—The condition of *ganja* cultivators is generally more flourishing than that of other cultivators. They are not satisfied with small loans which the Rural Societies generally lend to their members; they depend entirely on the proceeds of the *ganja* crop and they want that there should be some sort of central organisation where they can get everything. And, because the Ganja Mahal Bank is managed by practically the same staff as the executive authority of the Ganja Society, they find it very convenient to deal with it. Hence the village societies are neglected.

1114. What would be the maximum term of credit for which you will give loans from the Land Mortgage Banks?—The period will vary according to the purpose of the particular loan. If it is for repayment of old debts, it should be extended from 5 to 9 years.

1115. Co-operative Societies do not get deposits for long terms. How would you get the necessary finance?—Our experience shows that at least 50 per cent. of the long term deposits are renewed indefinitely.

1116. What other sources of capital would you suggest?—In the land mortgage banks, debenture system will have to be introduced.

1117. **Chairman:** Should the interest on such debentures be guaranteed by Government?—Yes.

1118. Interest will be guaranteed only so long as the land mortgage bank functions, and when it goes into liquidation, interest will cease?—Yes.

1119. **Dr. Sinha:** Is the average debt of a family, which has joined the co-operative movement, larger or smaller than the average debt of a family which is outside it?—I cannot say.

1120. Is it your experience that many A and B class societies are gradually deteriorating into C and D class ones, and C and D class societies are also deteriorating?—Yes, the deterioration is due not only to want of effective supervision but also to failure of crops.

Haji Naju Mia, Merchant, Chittagong, called and examined.

The following is a summary of the evidence given by him in vernacular:

1121. I am the proprietor of one of the 4 ginning mills in Chittagong. In these mills the bulk of the cotton ginned is my own property, but I also gin other people's cotton. I purchase cotton in my own out-stations on the Karnafuli, Sangu, and Matamuri rivers and also from Akyab and Bushidong. Most of the purchases are made on the system of advance or *dadan*. I advance money to tradesmen, who go up the rivers into the hills. They purchase cotton from the hillmen-growers and bring it to my out-stations. I do not fix the price at which cotton should be purchased, but, as a matter of fact, I get the cotton from these tradesmen sometimes at a rate which is slightly less than the bazar rate, i.e., the rate at which they sell to buyers who do not pay any advance. On the amount advanced we charged 15 to 18 per cent. per annum interest. The clean and ginned cotton from the mill is sold either to the exporters in Chittagong or in Calcutta wherever we get the best price. The price has come down very much and I have not been able to sell a great deal of last year's cotton. The advances are made on personal security only and sometimes on guarantees. There have been cases where these tradesmen have proved dishonest and I have lost money. For the financing of my purchases, I have obtained a cash credit from the local branch of the National Bank of India. This cash credit is given on personal security without any collateral security. My maximum cash credit is one lakh of rupees. I tried to deal directly with the hillmen-growers, but on account of their nomadic habits I had to give up the attempt. In some cases of failure of tradesmen to repay me, it was found that they themselves had purchased cotton at high rates, which fell by the time they were selling the cotton. These tradesmen, when they go into the hills, advance money to the hillmen-cultivators and sometimes lose by the failure of these cultivators. These traders buy cotton from the hillmen at a very cheap rate. The hillmen are so improvident that they cannot do without the advance. Advances are given to the hillmen during rains and the cotton is given by them in the spring. *Dadan* is a vicious system. The abolition of it might inconvenience the *Jumias* temporarily, but in the long run they will gain by the abolition of the system and we also will

be better off. The tradesmen when advancing money to hillmen fix the price at which cotton is to be delivered. Severe competition is going on here between Indian Shipping Companies and European Companies. Formerly, the freight for 1 ton of rice from Rangoon to Chittagong was Rs. 12. At present it has been reduced to Rs. 4-8. The Bengal Burma Steam Navigation Company, which is an Indian concern, had to reduce their rate also. Formerly the freight of one *jar* of eggs by European Steam-ship Companies was Rs. 10. They have reduced it to Rs. 2 and the Bengal Burma Company has also had to reduce the rate accordingly. The annual shipment of egg *jars* is about 15,000, from the port of Chittagong. Similarly they have reduced the rate for passengers. Formerly, the charges from Chittagong to Rangoon were Rs. 14 for single and Rs. 16 for the return journey. The Bengal Burma Company fixed the rate at Rs. 12 for going to Rangoon and Rs. 16 for the return journey, but the European Companies have reduced the passenger's rate to Rs. 6 from Chittagong to Rangoon and Rs. 8 for the return journey. The Bengal Burma Company was started sometime back and is suffering severely owing to this competition. Several Indian Companies have failed through similar competition. This unfair competition stands in the way of the development of this industry.

1122. I would like to suggest that it would be very desirable that Government should interfere and fix a minimum freight and passenger's rate.

1123. We do not also get through-booking advantages from the railway companies. We have, therefore, to incur considerable expense in keeping agents in different stations.

1124. I am the Chairman of the Chittagong Central Co-operative Sale and Supply Society. Its subscribed capital is Rs. 28,000, of which Rs. 14,000 have been called up. It has only one affiliated society. We deal in hill products, such as, cotton, mustard seed, etc. It has been working for 2 years. Last year dividend was declared at 6½ per cent. and this year 7½ per cent. It has no office or godown. It is located in my private house. It has got great possibilities and attempts are being made to develop the activities of the society.

Mr. Golab Chand Somani, Representative of Messrs. Laksminarayan Rambilas, Bankers, Chittagong, called and examined.

The following is a summary of the evidence given by him in vernacular:

1125. We combine trade with banking. We import rice and paddy from Akayab and Rangoon to Chittagong and sell them in local distributing centres like Chittagong, Ashuganj and Brahmanbaria. We also export rice regularly to the Malabar coast from the middle of January to the end of May. Trading is our main profession and banking is only a subordinate business. The smallest sum usually lent by us is Rs. 1,000 and the maximum amount is 2 lakhs of rupees. Loans are given to tradesmen mainly on the hypothecation of their goods in stock and also on personal security. We sell to mufassal merchants on credit of 15 days to one month. Our Calcutta firm advances money to Indian-owned Jute Mills in Calcutta as well as to Rice Mills for short periods not exceeding 3 months, the rate or interest being 12 per cent. per annum. In the district of Khulna we advance money to the cultivators for the

purchase of jute. No interest is charged. The only condition is that the raiyat must sell his entire crop to us at a rate slightly lower than the market rate. We follow the same system in giving advances to the *beparis* with regard to the purchase of timber at Sandawa near Akayab. Our *hundis* are mainly *darsani* but we also lend money on *muddati* hundis, mainly to traders, the period of usance of such *hundis* being from 15 days to 3 months and the rate of interest 12 per cent. per annum. We have our special code words and we sell telegraphic transfers on other branches, e.g., Calcutta and Akayab. We charge 9 pies for 100 rupees in addition to the charges for the telegram. This is also the rate at which the Imperial Bank issues T/Ts. But we sell such T/Ts. generally after 3 o'clock when the Imperial Bank is closed. Most of our deposits are payable on demand on which we generally pay 6 per cent. per annum, the rate rises a little beyond 6 per cent. during the busy season, and falls a little below that rate during the slack season. The longest period for which we attract deposits is 3 months for which we pay $7\frac{1}{2}$ per cent. per annum. We have to attract such deposits because we find it extremely difficult to obtain loans from the branches of the Imperial Bank and the National Bank of India in Chittagong. They insist on having 2 or 3 sureties for the loan. It is impossible to take loan under such conditions without impairing the credit of our firm. If we take loans from these banks on the hypothecation of stocks in our godowns we have, in addition to the interest at the rate of 9 per cent., to pay insurance charges, wages of the Bank durwans, etc., which in all amount to 15 per cent. per annum. The Indigenous Bankers in Bengal do not now get a net return of more than 4 per cent per annum. This is due to depression in trade and also to lack of finance in the hands of Indigenous Bankers.

Mr. K. K. Sen, Managing Director of the Chittagong Engineering and Electric Supply Company, called and examined.

1126. **Chairman:** Mr. Sen, you have got some experience of the other Industries in Chittagong besides your own company?—I have got some experience.

1127. Could you tell us something about the financing of the industries in Chittagong?—These industries are not financed by the National or the Imperial Bank. The National Bank does give help occasionally, but the Imperial Bank never.

1128. What kind of assistance is refused?—Financial help for the working expenses.

1129. Do they make any distinction between Indian managed concerns and European managed concerns?—Yes, they do.

1130. Could you give us specific instances?—It is very difficult to give specific instances. I have got one motor business here: 5 or 6 years ago I approached the National Bank to finance me. They refused. But one Anglo-Indian, who had no business, approached the Bank and got a loan of Rs. 5,000. Further, our Electric Supply Company, which has got a capital of 3 lakhs of rupees, approached the Imperial Bank in November last for a cash credit of Rs. 10,000. But they refused. After a week they wrote us that they could advance us that amount if all the Directors of the Company guarantee personally, but this could not be done. On the other hand, the Assam-Bengal Railway Co-operative Society, which is composed of Europeans incorporated under the Indian

Companies Act, but which has nothing to do with the Assam-Bengal Railway Company and has got no capital to speak of, is getting advance from the National Bank to the extent of Rs. 50,000. There are many other such instances.

1131. **Khan Bahadur A. Haque:** Is it a fact that the Imperial Bank would not give advance to a man the moment he joins a Joint Stock company?—I believe so, I have heard it, but can't give any concrete case.

1132. **Chairman:** What is the remedy for all these?—The Imperial Bank fed by Indian Government money should not be allowed to make any discrimination.

1133. How will you make the Imperial Bank do so?—I think the Imperial Bank should have two Agents at each place, one Indian and one European. The amount of money got from the Indians should be controlled by the Indian Agent.

1134. Do the general public experience any difficulty in getting notes from the Imperial Bank?—The public are feeling difficulty in getting notes of higher denominations.

1135. Have you got any suggestion regarding the growth of different industries in Chittagong?—I think one Industrial Bank should be opened at Chittagong, to finance industrial plants and machinery. This work may also be done by the Co-operative Societies having a separate department. There are lots of industries likely to be opened at Chittagong, but on account of financial difficulties they can't be opened.

Rai Bahadur Upendra Lal Roy, zamindar and merchant, called and examined.

1136. **Khan Bahadur A. Haque:** You have got experience of the trade of this district for several years?—I had business of cotton, rice and salt. I have got some banking experience also.

1137. How many banks are there in Chittagong?—Besides the National Bank of India there are about 27 banks in this district. Those are really loan offices.

1138. Do they finance trade and industry?—Not much.

1139. Do you get sufficient credit from the Imperial Bank?—No, Indians do not get help from the Imperial Bank or the National Bank. For financing tea gardens the Imperial Bank does not help at all. The National Bank advances a small amount against guarantee for corrugated iron sheets.

1140. Is it true that a man, who is given personal credit, is refused advance from banks, the moment he enters a Joint Stock concern?—It is true.

1141. **Chairman:** What business do the loan offices do?—They advance loans to the people sometimes on mortgage.

1142. **Khan Bahadur A. Haque:** Do they serve the middle classes or the zamindars?—Middle classes. Zamindars do not approach them.

1143. What is the rate of interest they charge?—15 to 18 per cent. with yearly rests.

1144. What are the different rates of interest for deposits in the loan offices?—7 to 10 per cent. for long term deposits.

1145. **Khan Bahadur H. U. Ahmed:** Is there any representative of the depositors on the Directorate?—No.

1146. **Khan Bahadur A. Haque:** How do the agriculturists get finance?—From the local money-lenders.

1147. What are the rates of interest?—Rates vary in different parts of the district, from 15 to 18 per cent. Sometimes they come up to 24 per cent.

1148. Do you think agriculturists are always able to pay the high rate of interest?—They are paying.

1149. **Chairman:** Who are the village mahajans?—Local moneyed men who are middle class people chiefly.

1150. Are there no professional money-lenders?—Some of them are, but there are also merchants and lawyers who lend money.

1151. Are there any men who are solely dependent on their income from money-lending?—Yes.

1152. **Khan Bahadur A. Haque:** Is the indebtedness of the agriculturist on the increase?—Yes.

1153. Why?—Because luxury has got into them. Modern civilisation is the chief cause.

1154. Has failure of crops anything to do with it?—These are seasonal things.

1155. **Chairman:** Is it because the income of the agriculturists remains more or less stationary whereas their expenses have increased?—Yes, that is the case.

1156. Can you suggest any means of increasing the income of the agriculturists?—I would suggest improvement of cattle and adoption of subsidiary occupations. They can spend their leisure moments in spinning and in other lucrative home industries.

1157. **Khan Bahadur A. Haque:** There is a large extent of forest in this district?—Yes and the revenue from the forest has much increased. Restrictions have been imposed upon grazing of cattle in the forests. In khas mahals whatever plot of land is available is settled by Government. The consequence is that cattle have no grazing grounds.

1158. In spite of this extent of the forests and waste lands in khas mahals you think that the forest policy as well as the khas mahal policy of the Government are responsible for the shortage of grazing ground in this district?—Yes.

1159. How do you get your finance for tea gardens?—We manage it with our own capital, we do not take any advance from banks.

1160. **Chairman:** Do the Banks advance the working expenses of the tea gardens on the hypothecation of the crop?—They should do so, but it is not done here.

1161. Do the Banks assist in the financing of the movement of crops such as paddy, mustard seed and cotton?—No.

1162. **Khan Bahadur A. Haque:** What are the possibilities of exploiting hill bamboos for paper making?—There are great possibilities here, but it requires much capital. No one here is bold enough to start that business.

1163. Who exports bamboos to Calcutta?—Messrs. Andrew Yule & Co.

1164. **Chairman:** Can you tell us something about the new Jute Mill started in Chittagong?—One gentleman of Comilla started the Jute Mill. He started it on a very modest scale. He could not develop it. He did not get sufficient response from the public to his appeal for share capital.

1165. Do you know of any loan office or other banking concern in this district which has failed?—Yes, Chittagong Bank, Limited, with branches in Rangoon and Calcutta failed.

1166. **Khan Bahadur A. Haque:** Why?—They extended their operations beyond their means probably.

1167. Do you think there should be any State control over the loan offices?—There should be sufficient control. People hesitate nowadays very much to deposit their money in a new bank. If some regulations are enforced to secure protection for the depositors they will be welcome. People have faith now in Co-operative Banks because they know that they are controlled by the Government. I would suggest some sort of check and control, some deposits with the Government as is the case with the Insurance Companies, periodical publishing of accounts, etc.

1168. Do you want a revision of the details published in the balance sheet?—Yes, and there should be something which will inspire confidence in the peoples' mind.

1169. Are you in favour of a uniform system of audit?—Yes, there should be audit by recognised agencies or still better if there be Government audits.

1170. Do you want further facilities regarding Post Office Savings Banks?—If daily withdrawals are permitted, people will be more benefited.

1171. **Chairman:** Permitting unlimited withdrawals is equivalent to opening current accounts?—Yes, that is preferable.

1172. Then you recommend that Government should on current accounts pay 3 per cent. interest?—Why not, when they use the money.

1173. Do you think that Postal Insurance should be thrown open to the public?—It will be better if it is done so.

1174. **Witness:** I wish to recommend that steps should be taken to organise Industrial Banks.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

BARISAL.

FIRST DAY.

February 16th, 1930.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

RAI BAHADUR SASADHAR GHOSE.

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. Hemchandra Das, Inspector of Co-operative Societies, Khepupara, and Mr. Abu Ali Sabir, Inspector of Co-operative Societies, Bhola, called and examined.

1175. **Chairman (to Mr. Das):** Have you got a Central Bank at Khepupara?—Yes.

1176. And you have also a Co-operative Sale and Supply Society?—Yes.

1177. Have you any Industrial Union?—No.

1178. Have you got a rice mill?—Yes, there is a rice mill which forms part of the Co-operative Sale and Supply Society.

1179. How is your Central Bank financed?—By the Provincial Bank and also by the Barisal Central Bank.

1180. Have you got any cash credit?—Yes, we have.

1181. What is the rate of interest?— $7\frac{1}{2}$ per cent.

1182. What rate of interest does the Central Bank charge to the Primary Societies?—Rs. 10-15.

1183. At what rate do you borrow?— $7\frac{1}{2}$ per cent.

1184. You also receive deposits?—No, practically no deposit is received at Khepupara.

1185. So the local public give you very little financial assistance?—Yes.

1186. Is the Sale Society prosperous?—It is a self-supporting one.

1187. Is it managed satisfactorily?—Yes.

1188. When was the Rice Mill started?—In January last.

1189. Does the Sale and Supply Society sell only to members?—It sells both to members and non-members. It sells to the members on credit and to the non-members in cash.

1190. Does it give rebate to the members?—Yes, one pice per rupee.

1191. **Chairman:** How many branches are there?—Only one at Boga.

1192. Is there any prospect of starting more primary societies at Khepupara?—Yes.

1193. Is the number of existing primary societies sufficient?—Not wholly sufficient; there is scope for some others.

1194. In the Colonization Area, is there any one who is not a member of the Co-operative Society?—Very few.

1195. Then, how can new societies be established?—There are big societies which can be split up and those who are not members can be taken into new societies.

1196. Are the funds of the Central Bank sufficient to meet all the demands of the members?—At present this is sufficient.

1197. Then, the members of the primary societies do not go to any other source of credit except to the Societies, or do they go to the mahajans?—Sometimes they go to the mahajans.

1198. Are there any mahajans in the Colonization Area?—There are no big mahajans, but the cultivators also do that business to a little extent.

1199. So, there is some interlending between the cultivators themselves?—Yes.

1200. Are the tenants in the Colonization Area, who are now outside the Co-operative Societies, much in debt?—Not much in debt.

1201. Are the members of the rural societies punctual in their repayments?—Not always.

1202. Why cannot they pay immediately after their harvest?—Sometimes they can't sell their produce immediately when the money is demanded, and they can't pay when the crop fails.

1203. What is the amount of overdue loans for the last year?—About 3 lakhs. This is because out of the collection of rural societies more than one lakh was spent in purchasing shares in the Rice Mill.

1204. **Khan Bahadur Azizul Haque:** Is the Central Bank acting as the Bank of the Rice Mill?—Yes.

1205. When these rural societies repay their loans, is the amount credited to the account of the rural societies?—Yes.

1206. Because these societies purchased shares of the rice mill they could not repay the Central Bank so satisfactorily as before?—Yes.

1207. I want to know why this was permitted. Do you think that it is a good policy that they should accumulate their overdues while they purchase shares?—Shares were purchased from the reserve funds of their rural societies. The members also wanted to start the Rice Mill for their own benefit. The rural societies decided at a general meeting that they should purchase shares from the reserve fund. The rural societies at Khepupara have got sufficient amount of reserve fund, it is more than 3 lakhs.

1208. How is this reserve fund invested?—It formed part of the working capital. It was also partly invested in shares of the Central Bank and at present in the shares of the Sale and Supply Society.

1209. How many rural societies are there in Khepupara?—125.

1210. Are the general conditions of the agriculturists very bad in Khepupara?—Not so bad.

1211. On what terms did the Rice Mill make advances to the cultivators?—It advanced about Rs. 4,000 on condition that the growers who took the advance will supply paddy at a fixed price of Rs. 3 per maund.

1212. Who fixed the price?—The Board of Directors.

1213. **Dr. Sinha:** Are there many well-to-do cultivators who do not care to join the Co-operative Societies?—There are not many such cases at Khepupara.

1214. **Khan Bahadur Hemayatuddin Ahmed:** For what purposes are the loans given?—In some cases for the purpose of lands but mainly for agricultural purposes.

1215. **Dr. Sinha:** Do the Rural Societies in your area lend on personal security or on mortgage of land?—On personal security. Mortgages are very few.

1216. **(To Mr. Sabir):** You are the Inspector of Co-operative Societies at Bhola. Have you got a Land Mortgage Bank there?—It has started work only recently and is now investing money.

1217. When was it started?—It was registered in 1926, but it started work only last year.

1218. From what sources does it raise funds?—From shares. It is trying to attract deposits, but no deposits are yet forthcoming.

1219. What is the amount of the paid-up share capital?—I do not exactly remember.

1220. For what period does it usually lend to borrowers?—5 to 8 years.

1221. What is the amount of loans taken?—Rs. 10,000 from the Barisal Central Bank and Rs. 5,000 from Government. This forms the working capital.

1222. Do you lend only to members of rural societies?—Membership is open to members of the rural societies, but up till now there are no members of rural societies who have joined the Land Mortgage Bank.

1223. Is it a limited liability society?—Yes.

1224. **Rai Bahadur Sashadhar Ghose:** Can you assign any reason why they have not yet joined?—Funds are too short.

1225. Or because they are getting the same amount of help from the rural societies and so they have not joined?—In the rural societies if the period for re-payment is increased, they will get the same help as the debtors can expect from the Land Mortgage Bank.

1226. Who constitute the membership of the Land Mortgage Bank?—At present out of 18 members, 7 are actual cultivators, 3 jotedars and 8 bargadars.

1227. **Knan Bahadur Azizul Haque:** Is there any Industrial Society at Bhola?—We have registered a Betelnut Society, but we could not start business.

1228. **What's the difficulty?**—We cannot find a market. Last year I wrote to a firm in Rangoon to purchase betelnuts from us. They replied that they were prepared to purchase. I forwarded the letter to the Registrar to make arrangements for the sale through the Whole Sale Society. An enquiry was made from the Registrar of Burma. The Registrar, Burma, replied that the firm was not prepared to purchase nuts from the Society. So I had to abandon that idea. In the beginning of this year also the aratdars refused to purchase wet nuts from the cultivators. There was a great panic among the cultivators and they approached me for forming a Sale and Supply Society. I wrote to the Registrar. In the meantime the cultivators advertised by beat of drum that a Sale Society was going to be formed and they need not sell nuts. At this the aratdars gave way and began to purchase wet nuts. Now the cultivators have abandoned the idea of forming a Sale and Supply Society.

1229. **What is the aratdar's profit?**—Generally 8 annas to 10 annas per maund.

1230. **Is it not possible to have a Central Betelnut Sale Depot?**—Yes, I think it is possible, if there be two societies—one at Bhola and the other at Patharghata.

1231. **Do you think that the agriculturists will gain if the betelnuts are sold by the Sale Society?**—Yes.

Mr. Gopal Chandra Biswas, Managing Director, Barisal Rindan Samiti; Mr. Kali Prasanna Guha, Deputy Chairman, Barisal Central Co-operative Bank, and Mr. Rajani Kanta Chatterji, Secretary of the Barisal Loan Office, called and examined jointly.

1232. **Chairman:** Has the Barisal Central Co-operative Bank got sufficient funds?—(Mr. Guha) Yes.

1233. **And you do not borrow from the Provincial Bank or the Imperial Bank?**—No.

1234. **You are able to finance the primary societies with money that you receive from the deposits?**—Yes, deposits and share capital.

1235. **Do you take current deposits?**—Yes, deposits repayable on 7 days' notice.

1236. **Do they form the bulk of your deposits?**—No, deposits on longer terms are much greater.

1237. **What are the longer terms?**—3 months, 6 months, 1 year and 2 years. The maximum rate of interest we pay now is 4 per cent., but on the older deposits we used to pay 6½ per cent. and 7 per cent.

1238. **For endowments and charitable trusts you pay 7 per cent. still?**—Yes, but the number of such endowments is very small.

1239. **What is the longest period for which deposits are taken at present?**—6 months.

1240. **Your reserve fund comes to Rs. 72,000?**—Thereabout.

1241. **How have you invested that amount?**—Separately deposited in the Provincial Bank.

1242. **Khan Bahadur Maulvi Azizul Haque:** What are your overdues due to?—Due to bad years.

1243. **Dr. Sinha:** What is the longest period for which loans are given to Rural Societies?—4 years.

1244. Do you favour the formation of Co-operative Land Mortgage Banks in this district?—Land Mortgage Banks in this district may benefit individual members.

1245. Who are likely to be such individual members?—Landlords and tenure-holders.

1246. Don't you think that agriculturists too should join it?—Land Mortgage Banks may be extended to agriculturists also.

1247. You were telling us that members of Rural Societies are getting loans for 4 years. If there are old debts, is that period sufficient for paying off old debts?—The period is then extended to 6 years.

1248. You have recently introduced a system of issuing demand drafts on the Provincial Bank at Calcutta?—Not recently, that was done 2 or 3 years ago.

1249. Is this facility much availed of by local traders?—Very few are taking advantage of it.

1250. How do they move funds? Do they go to indigenous bankers for remittances?—They sometimes come to us and sometimes carry the money personally to Calcutta.

1251. **Rai Bahadur Sasadhar Chose:** What is the reason that traders don't get sufficient cash from the Bengal Provincial Bank?—This is due to the Bengal Provincial Bank not having a big treasury.

1252. Have you noticed that well-to-do cultivators are often not inclined to join Co-operative Societies?—Yes, on account of the joint liability.

1253. Is it not also because of the delay in payment of loans to them by the Co-operative Societies?—Yes, there is some delay.

1254. The rate of interest being the same, will a cultivator prefer a loan office or a co-operative society?—A loan office.

1255. Can you give me reasons?—The liability is separate.

1256. Don't you think that the Central Co-operative Bank may take charge of the local Government treasury?—Not at present, but if suitable staff be provided we can do the work of the treasury.

1257. Have you got many industries in this district?—No.

1258. Will you agree with me that no industry in this country can be prosperous unless it gets Government aid and Government protection?—I agree.

1259. **Chairman (to Mr. Biswas):** To remedy the defects in agricultural and rural financing you have suggested establishment of Government aided industrial and agricultural banks at each subdivisional headquarters of the district. Can you give us some idea as to the lines on which these industrial banks should be organised?—In our opinion there ought to be one Central Industrial Bank at the headquarters of the district with branches at least in each subdivisional headquarters. Their working capital should be raised by share capital and debentures and the interest on the debentures should be guaranteed by Government.

If this is done, I think a number of banks can be established simultaneously.

1260. How do you propose to use the funds thus raised?—The bank may lend money to joint stock banks. Individual workers may also be helped.

1261. What security will you take?—Individual industrialists may be financed on guarantee as well as collateral security.

1262. Will the Industrial Bank help in disposing of the produce?—That may be difficult for them unless they have got godowns and other facilities.

1263. In your district you have got a large number of weavers. Will they be similarly accommodated with loans for the purchase of looms and yarn?—Yes.

1264. You have also suggested the formation of agricultural banks? Yes.

1265. In a form different from the Co-operative Banks?—If the co-operative movement spreads throughout the district and their field is increased then agricultural banks may not be necessary.

1266. Co-operative Banks, as constituted at present, cannot possibly meet long-term loans. It has been suggested to us that agricultural banks for long-term loans should be established with funds raised by debentures with interest guaranteed by Government. The question is whether these agricultural banks should be a branch of the co-operative movement or independent organisations?—If this kind of agricultural bank is to be established, it should be established in connection with the co-operative movement. In any case their work must be co-ordinated if success is desired.

1267. You have said “marketing would be greatly facilitated if in every big village or a group of villages at least one co-operative purchase and sale society is formed which may stock the purchased produce at a convenient place and then arrange for sale to the consumer.” Do you think that their work should be done through the agency of a Co-operative Society or preferably by independent banks?—If Co-operative Banks get larger funds, why should not they do it? I approve of the formation of licensed warehouses for pooling of crops and these licensed warehouses should be worked on co-operative principles as far as possible.

1268. You have got experience of the Co-operative Sale Society in this district?—We have established one where Babu Saral Kumar Dutt is the Secretary. It is for paddy, cloth, etc.

1269. **Dr. Sinha:** You give loans repayable in agricultural produce?—Yes.

1270. **Rai Bahadur Sasadhar Chose:** When is the price fixed?—At the time of delivery.

1271. **Khan Bahadur Azizul Haque:** What is the rate of interest?—12 per cent. to 18½ per cent.

1272. **Rai Bahadur Sasadhar Chose:** Do they pay you in cash?—They can also pay us in cash.

1273. **Chairman:** Supposing a man does not repay?—There is always security.

1274. **Khan Bahadur Azizul Haque:** What is the nature of security?—Land.

1275. Is your Sale Society on unlimited liability?—Yes.

1276. **Khan Bahadur Hemayatuddin Ahmed:** What is the difference between rural co-operative credit society and the village society affiliated to this Central Sale and Supply Society?—Difference is that you take back in money and we take back in the produce.

1277. **Khan Bahadur Azizul Haque:** You are in favour of fixing the maximum rate of interest taken by village mahajans?—Yes.

1278. You say that Usurious Loans Act has not been availed of to the desired extent. Why?—That Act was passed in 1918 and within this time the number of transactions on which suits can be based has been very limited. In the course of my experience as a lawyer I have seen that suits are mostly brought on transactions previous to 1918.

1279. Do the mahajans generally resort to the renewal of bonds?—Yes, They look to the interest and also to the position of the borrowers, not very much to the capital. If interest is regularly paid, there is no suit for capital.

1280. What is the rate of interest Kabulis usually charge?—2 annas to 3 annas per rupee per month.

1281. Which class of people resort to Kabulis?—Labouring classes.

1282. Do you think that the amount of agricultural loan granted by Government is sufficient?—Agricultural loans are not granted at all except in calamities.

1283. Are the soil conditions improving in this district?—Yes.

1284. Will the activities of the Co-operative Societies in any way be hampered if Government grants agricultural loans more freely?—I do not think so.

1285. You say that the indebtedness of the agriculturists is increasing. Why is it so?—Because of their illiteracy and improvident habits.

1286. **Chairman:** Is it that they will not save or they cannot save?—Fifty per cent. of the people have nothing to save.

1287. **Khan Bahadur Azizul Haque:** In your district were occupancy rights freely transferred before?—Never.

1288. Formerly a man could transfer 15 annas interest without paying a salami?—Yes, ordinarily.

1289. What was the rate of salami?—That varied from 10 to 25 per cent.

1290. After the passing of the amended Bengal Tenancy Act do you think the credit of the agriculturists have improved? Are they getting full value of the land?—Yes they are getting full value very easily without any trouble.

1291. Are you speaking this on your experience as a landlord?—Yes and as a pleader.

1292. **Khan Bahadur Hemayatuddin Ahmed:** You have said that agricultural loans should be freely given by Government. Don't you think it would be better if they are advanced through the Co-operative Societies instead of through Deputy Collectors?—That will be better.

1293. **Rai Bahadur Sasadhar Chose:** Has it not the disadvantage that the bad money of Co-operative Societies will be realised by the good money of the Government?—Yes.

1294. **Khan Bahadur Azizul Haque:** What is the usual rate of rent in this district for occupancy holdings?—Per standard bigha, between Rs. 2 to Rs. 3.

1295. What are the abwabs payable in addition?—One anna per rupee.

1296. What is the production of paddy?—15 to 20 maunds per standard bigha.

1297. On an average what amount has a cultivator to borrow in a year?—We calculate it this way: Supposing on an average a cultivator has 5 members to maintain for which he requires Rs. 4 per month for each head. So for one year he will require Rs. $4 \times 5 \times 12 =$ Rs. 240. Net profit of a cultivator per bigha = Rs. 20 per year. If he has got 10 bighas of land, net income per year = $20 \times 10 =$ Rs. 200. Hence he has to take a loan of Rs. $240 - \text{Rs. } 200 =$ Rs. 40.

1298. What is the value of land in this district?—Rs. 400 per acre.

1299. **Dr. Sinha (to Mr. Chatterjee):** Has the Barisal Loan Office opened current accounts withdrawable by cheques?—No.

1300. Does it lend to agriculturists?—Occasionally.

1301. Who are principally your borrowers?—Zamindars and tenure-holders generally.

1302. Do you charge any compound interest?—Yes.

1303. What is the period of rest?—One year.

1304. Is the compound interest always realised?—Not always.

1305. What is the rate at which you give loans?—9 per cent. to 12 per cent. against mortgage.

1306. You have got a zamindari, what is it worth?—Rs. 23,000.

1307. You don't invest in Government securities?—No.

1308. It has been suggested to us that reserve fund of loan offices should be invested in Government and other marketable securities. What is your opinion?—That would be good but we do not do that.

1309. It has been suggested to us that no loan office should declare a dividend until a sufficient reserve fund is built up. Do you approve of it?—Yes.

1310. We find that the majority of loans is on personal security in other loan offices. Is it possible for any individual to take loans from 3 or 4 different loan offices, thereby exceeding his borrowing capacity?—That is possible.

1311. Does that actually happen?—Yes.

1312. Do you think it possible for loan offices to do actual commercial banking, e.g., discounting a bill, delivery of goods against steamer receipts, etc.?—No.

1313. Is it possible for you to do real banking?—No, we have not sufficient money that will be required for that.

1314. **Rai Bahadur Sasadhar Chose (to Mr. Biswas):** You told us just now that legislation is necessary fixing the maximum rate of interest.

Don't you think that the rate of interest is dependent upon demand and supply?—Yes.

1315. **Khan Bahadur Hemayatuddin Ahmed:** Is there any rivalry between loan offices and the Central Banks?—(Mr. Chatterjee) No, their relation is very good.

1316. **Dr. Sinha:** In the Barisal Loan Office how many Directors represent depositors?—3 out of 9, they are influential Directors.

1317. It has been represented to us that loan offices should be audited by Government appointed auditors. What is your opinion?—I agree to that.

Maulvi Kazi Abdul Wajej, Chairman of the Dhandoba Rural Co-operative Credit Society (police-station Gournadi); Maulvi Mahabat Ali, Chairman of the Purba Najirpur Rural Co-operative Credit Society (police-station Muladi); Maulvi Mianali Rari, Chairman of the Hassanpur Rural Co-operative Credit Society (police-station Mehendiganj); and Maulvi Mahammad Ali Rari, Secretary, Hassanpur Society, called and examined jointly.

The following is a summary of their evidence given in vernacular:—

1318. (Maulvi Kazi Abdul Wajej) The Dhandoba C class society was established 14 years back. It has never been in A class. The land in this village is low and subject to floods. Consequently cultivation is not profitable and in most of the years there was failure of crops with the result that the people were not able to repay loans punctually. We pay rent from Rs. 6 to Rs. 8 per kani (one kani is 1·6 acres). In addition, we have to pay road cess at 6 pies to 2 annas per rupee of rent and one anna as tahari to landlord. The powerful zamindars realise cesses by an anna more than what is legally due. The cultivator holds on an average a kani or two of land. The produce of a kani of land in a good year is about 30 maunds. Generally, in a cycle of 10 years we get good harvest for 3 years only. For the other 7 years the crop is generally damaged or destroyed by floods and we usually get only a small quantity of paddy. If a plough has to be hired, the cultivator has to pay Rs. 24 for ploughing a kani. In addition, he has to incur an expense of Rs. 5 for purchasing seeds; for weeding he has to spend Rs. 10 per kani. We have no other expenses before the harvest. We cannot get any labourer on cash wages, but we have to pay one-fifth of the produce to the labourers for reaping and threshing. The price of paddy generally ranges from Rs. 2·12 to Rs. 3 per maund. The total charges for cultivation is Rs. 57 per kani leaving a profit of Rs. 33 per kani. An average family consists of 5 individuals, whose maintenance costs Rs. 5 each per month on the average. So it takes about Rs. 300 to maintain an average family for a year, which cannot be earned by agriculture alone. An average cultivator has therefore to take resort to subsidiary occupations, such as cattle-breeding, dairying, working as an agricultural labourer and other miscellaneous occupations. The price of a kani of land varies from Rs. 500 to Rs. 1,000. Before the passing of the amended Bengal Tenancy Act, a cultivator had generally to pay on sales of occupancy holdings a salami of 10 per cent. to 15 per cent. and that

very often in instalments. The amendment has most certainly caused very great inconvenience to us and in consequence there are hardly any sales at present. Instead of sales land is now transferred in devious ways. In some cases, a deed of gift without consideration to a relative is executed. In others, mortgage is given, while in some, in collusion with a kind landlord the land is put up for sale in execution of a decree for arrears of rent and allowed to be purchased by the intending vendor. In all these cases again the land is settled to an under-raiyat. The land value has also come down and the raiyat no longer gets the same value for his holdings. To this opinion all four of us agree.

1319. (Maulvi Mahabat Ali) Our society is an A class society established 5 years ago. In Purba Najirpur a kani is equal to 2.45 acres. One kani produces 50 to 60 maunds of paddy. The cost of cultivation amounts to Rs. 30 including cost of seed. The cost of weeding is Rs. 10. The reaper's share is 1/7th to 1/9th. We generally get two crops. Besides paddy, we get either jute or a rabi crop. The second crop generally gives Rs. 100 to Rs. 200 per kani after meeting the additional cost of cultivation, etc. The net profit derived from cultivating one kani of land with 2 crops is between Rs. 200 to Rs. 300 and this is barely sufficient to meet the expenses of one family consisting of 5 persons. The price of a kani of land varies from Rs. 1,000 to Rs. 2,000. The rate of salami was 25 per cent. of the cost price before the amendment of the Bengal Tenancy Act. That is the general rate prevalent in our pargana. The amendment of the Act has certainly reduced the amount to be paid. But it has the disadvantage that we have got to pay in lump at the time of the purchase instead of paying it gradually at convenience as we used to do before. A further disadvantage is that the salami has now to be paid even on the sale of a part of a holding. Formerly in such cases, no salami was paid.

1320. (Maulvi Mian Ali Rari) Our society is A class and was established 14 years ago. In Hassanpur 1 kani = 1.6 acres. The average produce of a kani of land (1.6 acres) is 25 maunds priced at Rs. 3 per maund. We have to pay Rs. 12 as rent and Rs. 3 as tahari to the landlord. A kani of land held on occupancy right is sold at about Rs. 400 to Rs. 500. We, too, belong to Idilpur pargana and we used to get the same advantage as in Purba Najirpur referred to before and suffer the same disadvantages as a result of the recent Bengal Tenancy Act legislation. For supari land we have to pay Rs. 20 to Rs. 30 as rent although we hardly make more than Rs. 75 from the sale of the nuts. The cost of preparing betelnuts for the market averages Rs. 15 per kani. We are absolutely at the mercy of the Mughhs and Burmese dealers and they never pay us in full, but by instalments running through the whole year. Even then in the end, they still keep back, say, Rs. 10. The beparis purchase ripe nuts which is sold in Calcutta and other places in India. They also keep a standing balance in hand to the extent of Rs. 10 or so. I have myself been to Rangoon to investigate the market there and I have seen that Mughhs who purchase from us at Rs. 8 per maund sell at Rangoon at Rs. 15 to Rs. 16 per maund. They have got such strong combination that they do not allow any Indian trader to operate in Rangoon.

1321. We all agree that not more than 5 per cent. of the families in our villages and our localities are free from debt. Average debt of a family to outside mahajans in Dhandoba Rs. 300, in Purba Najirpur Rs. 150, and in Hassanpur Rs. 400.

1322. (Maulvi Mian Ali Rari) In Hassanpur the village mahajans are Sahas or Tilis from Bikrampur, who have a shop in a hat or bandar where they sell the common necessities of the villagers and also buy the produce, to sell it when the price rises, but their principal work is to give loans to agriculturists. The rate of interest on these loans is 37½ per cent. and above and the interests is compounded every 6 months. Usually mortgages of land are taken as security. There are also some local landlords who lend money to their own tenants or to other villagers on mortgage of land. The rate of interest that they charge is higher being 48 per cent. to 60 per cent. also compounded half-yearly. The loan is usually given in full but in case of a tenant the rent is sometimes deducted from the amount of the loan. The Co-operative Societies have conferred many benefits on us by relieving us from the burden of debt from the mahajans. Those villagers who are not members of the Co-operative Societies have also been benefited by the reduction of the rate of interest charged by the mahajans. Formerly they used to charge 120 per cent. to 144 per cent. and now have reduced to the figures given above.

1323. (Maulvi Kazi Abdul Wajej) In Dhandoba the rate of interest for mahajans at present is 24 per cent. to 48 per cent. Before the formation of Co-operative Societies it was 48 per cent. to 60 per cent. In this area the mahajans are all local men.

1324. (Maulvi Mahabat Ali) In Purba Najirpur mahajans generally charge 30 per cent. to 36 per cent. Formerly they used to charge 75 per cent.

1325. (Maulvi Kazi Abdul Wajej) Generally, the beparis do not advance dadans except in Dhandoba area where there is cultivation of jute. In the bil area the dadan system prevails in purchase of jute. The dadans are given and prices are fixed beforehand and if the market price at the time is Rs. 10 the dadan is given on condition that a fixed quantity of jute will have to be sold at Rs. 5 per maund. It takes about a fortnight to get a loan from the Central Bank. Members of our Co-operative Societies do not go to the mahajans and even if they go, the mahajans do not give them any loan for their properties are mortgaged to us.

1326. (Jointly) We shall be glad of some further concessions to be given to Co-operative Societies, such as—

- (1) The commission charge on money orders for remittance of money to and from the Central Co-operative Banks should be altogether remitted.
- (2) The maximum period for which loans are given by primary societies should be extended from 4 years to 8 years in order to meet cases where larger loans are taken to repay old debts or for making land improvements.
- (3) The cost and inconvenience of bringing three Directors of a Primary Society to execute a bond when taking a loan from the Central Bank should be reduced by allowing cash credits freely.
- (4) The rate of interest levied from members of rural societies should be reduced.

1327. (Jointly) We prefer the mixed type of Central Banks to the pure type. The economic conditions of a member of Rural Co-operative Society and a non-member resident in the same village are about the same though it may be said that the member of the society is better off in some respects. A man who is pretty well off will not perhaps join the co-operative society at first but when he wants to take a loan he would prefer to join a co-operative society and take the loan from it than go to a mahajan. The condition of the member of a society is certainly better because the society imposes a check on his extravagance. The debts of non-members are more than those of a member of the society. The mahajans generally credit the payments to interest only, and refuse repayment of principal if made in part only.

BARISAL.

SECOND DAY.

February 17th, 1930.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

RAI SASADHAR GHOSE BAHADUR.

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Khan Sahib Kazi Muhammad Mahiuddin, Colonization Officer, Bakerganj, called and examined.

1328. **Chairman:** In the Colonization Area co-operation has developed very much?—Yes.

1329. Are there any village mahajans?—There are no regular village mahajans, but in the markets shop-keepers lend money and some of the rich villagers in the villages also lend money. There are also some floating shop-keepers who sell on credit and realize their dues after harvest.

1330. What is the rate of interest?—Generally 25 per cent. for each season, i.e., until the next harvest.

1331. What is the rate of interest of the Co-operative Societies?—15½ per cent. to 18¼ per cent. per annum.

1332. How are the crops sold?—Crops are sold to travelling beparis who collect from house to house after the harvest. They pay in cash but in some cases dadans or advances are given. In the latter case the price at which the paddy is sold is fixed beforehand. The fixing of the price is always in the beparies' hands and the producers cannot sell except at the rate offered.

1333. Do you hope to collect all the paddy grown in the Colonization Area into the Rice Mill which has just been formed?—No, the Rice Mill can deal with only about one lakh of maunds of paddy per annum, whereas the produce in the Colonization Area would be between 15 to 20 lakhs.

1334. You think that this pooling would be beneficial to the tenants?—Yes. This year the price of paddy is still very low and the cultivators are unable to sell their produce.

1335. Every cultivator in the Colonization Area is a member of a Co-operative Society?—About 50 per cent. are members.

1336. To what extent are your tenants indebted?—From the figures available from the Central Bank I have found that 3,545 members of Co-operative Societies are indebted to their societies to the extent of 6 lakhs and their debt to private mahajans is 5 lakhs.

1337. What is the outstanding loan due to Government?—Rs. 1,24,000 including both Agriculturists' Loans and Land Improvement Loans and it is due both from members and non-members.

1338. How many holdings have you got?—7,171.

1339. Are all the tenants of these holdings members of the Co-operative Societies?—No, some of the holders of these holdings are not yet residents. Many of the Mugh cultivators have not joined co-operative movement, and some Bengali tenants who are pretty well-to-do have not joined.

1340. What is the population of the area?—On an average of 6 members to one holding, the population will come to 43,026.

1341. What is the average amount of land of each holding?—15 acres.

1342. Why are the people indebted?—Indolence and extravagance are the main causes of their indebtedness.

1343. Is there any drug shop?—Only one opium shop in which Rs. 30,000 worth of opium is sold every year, principally to the Mughs.

1344. Has the introduction of Co-operative Societies in any way checked their indolence?—Yes.

1345. Can any transfer or sale of a holding take place without the previous permission of the Collector?—No, the previous permission in writing from the Collector is required.

1346. **Khan Bahadur Maulvi Azizul Haque:** At the time of giving the permission, does the Collector levy any salami?—Formerly Government charged 25 per cent. on transfers by sale. Now it has been reduced to 20 per cent. by the amendment of the Bengal Tenancy Act.

1347. What is the rate of rent?—The maximum rate of rent in some mauzas is Re. 1, and in some mauzas Re. 1-6. No salami is charged at the time of the initial settlement.

1348. What are the crops grown?—Generally there is only one crop,—paddy, but some lands are capable of bearing other crops.

Mr. Akimuddin Ahmed, Pleader, and Secretary of the Dakhinshahbazpur Land Mortgage Bank, called and examined.

1349. **Chairman:** When was this Land Mortgage Bank established?—3 years ago.

1350. What is its share capital?—Paid-up share capital amounts to about 1,200.

1351. Have you got any deposits?—No, there are no deposits yet.

1352. How do you make up your working capital?—We have taken loan of Rs. 5,000 from Government at 6 per cent. repayable in 8 years and Rs. 10,000 from the Barisal Central Bank at 9 per cent., repayable in 10 years.

1353. What is your total capital?—At present it is about 16,000.

1354. What is the amount of the loan you have given?—Rs. 10,000.

1355. How many members have you got?—More than 40 members.

1356. Are they all candidates for loan?—Not all.

1357. To how many have you given loans?—From 10 to 15. I do not remember the exact figure.

1358. What are the occupations of those who have taken loans?—Talukdars, howladars as well as agriculturists.

1359. For what purposes are the loans given?—Loans have all been given to repay old debts except in two cases where loans have been given, —one for a wedding and another for litigation. These two loans were given by oversight.

1360. What are the terms of these loans?—The rate of interest is $12\frac{1}{2}$ per cent. and the loans are repayable in 5 years in one case and in 2 or 3 cases 6 years and in other cases 7 years.

1361. Are these borrowers members of Rural Co-operative Societies?—Only one of our debtors became a member of a Rural Co-operative Society after taking the loans from us, but the others are not.

1362. Why do not your debtors go to rural societies and take loans from them?—Because such societies have not got sufficient funds to give loans, and their maximum limit is too low.

1363. The Land Mortgage Bank is not affiliated to any other Bank?—No.

1364. **Dr. Sinha:** It is based on limited liability?—Yes.

1365. What is the liability of the shareholders?—The reserve liability of a shareholder is twice the amount paid up.

1366. What proportion of the value of the land do you give in loan to a member?—We tried to give loans not exceeding $\frac{1}{50}$ th of the value of the mortgaged land, but this is found to be insufficient and now we are raising it to $\frac{1}{5}$ th and in some cases $\frac{1}{7}$ th even. The amount of loan given does not exceed 5 times the paid-up share capital.

1367. **Chairman:** Are the loans repayable by annual instalments?—Loans are repayable with interest in annual instalments. We propose to sue the debtor in case of failure in a single instalment, but there has not been any default yet. We do not recover principal and interest by equated payments.

1368. What is the area of your operation?—Our jurisdiction is limited to Barhanuddin and Tazumuddin thanas in the Bhola subdivision.

1369. Are you encountering any difficulty in working the land mortgage bank?—The searching fee charged by the Registration office is too high. It is Re. 1 for the first year and annas 8 for every other year.

1370. Do you find any difficulty in verifying the title of a candidate for a loan?—We have not encountered any difficulty yet, but it is possible that where the record-of-rights is old and not maintained, there will be difficulty.

Mr. Saral Kumar Dutt, Landholder and Secretary, Barisal Central Co-operative Sale and Supply Society, called and examined.

1371. **Chairman:** When was the Central Co-operative Sale and Supply Society established?—It is not yet 2 years.

1372. What business is it doing at present?—We are organising Primary Societies on limited liability basis and we are advancing money

for the purchase of agricultural goods, seeds and some other purposes. We will realise the loans in kind, but at the initial stage we are only lending money to the primary societies.

1373. The shares are paid in cash?—Yes.

1374. How is your business different from that of the Central Bank? The Central Bank also organises rural societies. Why are you doing the same?—I am doing it on a different line. I do not know exactly where we stand now, because our business is in the infant stage: Our lines differ in these respects. We organise societies on limited liability. We do not like that the agriculturists should be allowed cheap credit. Of course, credit organisations are doing a lot of things to save them from the clutches of the money-lenders and they have popularised the co-operative movement in Bakarganj. But our aim is to lay our hands on the produce, so that before their annual store is run through we can have them freed from their debts. The money is lent out on hypothecation of crops and sometimes on mortgage of land, but we do not insist on repayment in cash, but repayment in kind is always encouraged. We take paddy from them at the market rate of that time in that locality.

1375. What rate of interest do you charge on your loans?—We levy interest from the Society and the Society levies from the members. Our rate is from 9 per cent. to 12½ per cent. and the Society's from 15½ per cent. to 18½ per cent.

1376. A man takes a loan of Rs. 20 for 6 months at 18½ per cent. and you collect the principal as well as the interest in paddy valued at the local rate?—Yes, that man places the required amount of paddy with the Primary Society and he is freed from the debt. The Primary Societies collect paddy in this way and they pay us in paddy. The Primary Societies sell the paddy now under our instructions. Just now the Primary Societies pay us in cash but the condition is that they will have to give us in kind as soon as a godown is constructed here to receive the paddy.

1377. By whom are you financed?—We have been financed by the Provincial Co-operative Bank.

1378. Do you take any deposits?—Yes, but they are not sufficient.

1379. What is your rate of interest on deposits?—Not more than 8½ per cent. We take deposits for periods between 6 months to 1 year.

1380. How many affiliated societies are there just now?—We have eleven affiliated societies working now.

1381. Are members of your affiliated societies also members of the rural societies in the neighbourhood?—I don't think so. I have no report to that effect.

1382. You think that this is undesirable?—Yes. I try to prevent it as far as possible.

1383. Do your Primary Societies in the villages take only the actual growers of the paddy as members?—No, they take others, but they lend money only to the growers, because they only can repay in kind.

1384. **Khan Bahadur Azizul Haque:** Do you think that this work is not possible to be done by the Central Bank?—I don't know. I got this suggestion from an article of Mr. Morrison's and I am trying to work it out.

1385. You are of opinion that in order to save the agriculturists the money-lenders should be driven out of the field?—Yes.

1386. Have you got any constructive suggestion as to how the extortionate habits of the money-lenders can be checked?—I have already suggested that in my written memorandum that co-operative organizations should be largely extended.

1387. Do you think that the maximum rate of interest should be fixed by law?—Yes.

1388. **Rai Bahadur Sasadhar Ghose:** Don't you think that the rate of interest is dependent upon demand and supply?—Not always.

1389. The more money, the lower the rate?—Yes, other things remaining same.

1390. **Chairman:** You say that the maximum should be fixed. Will it be the same throughout Bengal or different in different districts? I don't think a uniformity of rate throughout the whole of Bengal is impossible.

1391. In your opinion what should be the maximum rate?—I can't reply offhand now.

1392. What is the rate of interest charged by the mahajans of this district for secured loans?—Generally 18½ per cent.

1393. Has the value of land increased for the last 2 years owing to the amendment of the Bengal Tenancy Act?—It being a saleable thing, I think the value has increased but this is my surmise.

1394. **Khan Bahadur Azizul Haque:** Do you know that in this district sales have appreciably decreased?—I have got no information.

1395. Supposing that sales have shrunk owing to the amended Bengal Tenancy Act, will you still stick to the view that the credit of the agriculturists has improved?—Yes, there are other circumstances at work which also should be taken into consideration.

1396. You say that there are eight Kabulis in the district, how did you get that figure?—I enquired at the Kabuli quarters and they gave me the information.

1397. Is there any arrangement amongst themselves that a particular portion of the district should be allotted to a particular man?—I think that there is some sort of arrangement like this.

1398. You are surely in favour of changing the law with regard to the Kabulis?—So far as the Kabulis are concerned I would like to change the law even if there be paucity of funds.

1399. You say that communal feeling is one of the grounds against the rapid spread of the co-operative movement?—I have got the experience of a particular case, but I think I should not generalize.

1400. **Chairman:** Is this communal feeling peculiar to the district or is it common in other districts as well?—I have not got the experience of other districts.

1401. What are the small industries in this district?—Gur-making, rice-husking, smithy at Uzirpur, and some textile industries.

1402. Is there a cutlery company in Barisal?—Yes I own the cutlery firm, it is not a limited company but a partnership firm.

1403. Do you find any difficulty in financing or marketing?—There is marketing difficulty because there are no experienced hands at the firm. There is also financial difficulty as we cannot supply the necessary capital.

1404. Do you make tea-garden cutlery?—Yes, pruning knives, scissors, kodalis, etc.

1405. **Khan Bahadur Azizul Haque:** How would you try to solve the financial difficulty?—I think State aid is necessary; without State aid it is difficult for small industries to prosper.

1406. **Dr. Sinha:** Do you want State protection?—Certainly, when there is foreign competition.

1407. Take for instance "gur." The price of sugar in spite of 25 per cent. tariff duty is only 4 annas a seer, would you have further protection for this industry also?—Yes.

1408. Then you want to increase the tariff rate?—I am not experienced in tariff matters.

1409. **Rai Bahadur Sasadhar Chose:** In page 2 of your reply you say that there ought to be some federation of co-operative societies. There is one suggestion that this federation may be handed over to non-officials like the Local Self-Government bodies. Don't you think that if this department is handed over to non-officials it will do better work?—I think they will do better work.

1410. Do you think that the combination of European balers and European millers reduces the price of jute?—Exactly.

1411. You have got some experience of the Barisal Central Bank. You know also that in some places the Imperial Bank does Government Treasury work. If the treasury work is handed over to the Central Bank don't you think that it will do treasury work efficiently?—Yes.

1412. **Khan Bahadur Azizul Haque:** Do you think that the tenants like the amendments of the Bengal Tenancy Act, fixing the rate of salami on transfer of occupancy holdings or they want to go back to their former position?—They like the amendment.

1413. In page 3 with regard to the dadans, you say that the rate of interest charged on these transactions is generally very high and the value of paddy in such circumstances has no relation to the market price. Is the system widely prevalent in this district?—I know of only one or two cases where it was stipulated that the repayment will be in kind and the price of the paddy was fixed at the time of granting the loan and was much lower than the market price.

1414. How much lower than the market price?—Less by 12 annas per maund.

1415. What means would you suggest for liquidating the previous debts of the agriculturists?—We have been trying to secure long-term loans from Government.

1416. **Dr. Sinha:** With regard to the Usurious Loans Act you say that bonds are taken for larger amounts than what are actually paid. Is this practice widely prevalent?—I cannot say if it is widely prevalent.

1417. With regard to cash certificates, you say that cash certificates are not very popular. To make them more popular do you want to raise the rate of interest?—It is not desirable that the rate should be increased because they will then affect the interests of loan offices.

1418. Do not the agriculturists, who are members, of Rural Societies, get any benefit from the Imperial Bank or from the Provincial Bank?—The benefit, if any, is negligible.

1419. Do you think that the facilities of Postal Insurance should be extended to the public?—I would rather like that the Insurance scheme of the Co-operative Department should be more popularised.

1420. You have referred to the failure of one bank in Barisal. What is the name of the bank?—The Barisal Bank, Ltd.

1421. You have said that the Bhola Rindan Samity exists only in name. Why is it so?—The Chairman of the Bhola Municipality told me so but did not inform me of the reason.

Mr. Nur Mohammad Ismail, Joint Sub-Registrar, Barisal, called and examined.

1422. **Chairman:** Have the sales of holdings of occupancy rights increased or decreased since the passing of the amended Bengal Tenancy Act?—Decreased to a great extent.

1423. To what extent?—The accounts of sales of raiyati holdings, khurja taluk, under-raiyati holdings and house are kept together. The number of sales in 1928 under this head was 19,477 but in 1929 it fell to 12,799. Of this decrease, I think more than half is decrease in the sales of occupancy holdings. The decrease in the number of mortgages in 1929 from that in 1928 is 22,561 and most of these I think are mortgages of occupancy rights.

Mr. N. C. Saha, M.A., Income-tax Officer, Bakarganj, called and examined.

1424. **Dr. Sinha:** In the course of your official duty, do you come into contact with indigenous bankers and money-lenders (by the indigenous banker is meant a person who receives deposits or deals in hundis)?—Yes.

1425. Do you maintain a list of indigenous bankers and money-lenders separately, and if so, may we have it?—No. There is no person in this district who has assessable income from indigenous banking alone. But some assesses carry on this banking business along with their main business. There are about 30 merchants in this district (13 Bengalis and 7 Marwaris) who deal in hundis.

1426. State what you know of the functions of the indigenous banker in your district, enumerating all kinds of business the banker transacts. How do they compare with the functions of the money-lender? Is banking the principal or subordinate business of such bankers?—Indigenous banking in this district, as I have said, consists of dealing in hundis only. The functions are very simple and consist of writing of a hundi or the demand draft by the seller of the same payable either on sight or after 18 days. These arise out of trade necessity to send money to Calcutta or to bring money from Calcutta. A purchaser of betelnuts and often of rice, when necessity arises, draws a hundi and sells it to merchants here who have occasion to make payments in Calcutta and provide themselves with ready money. Similarly, the indigenous banker also draws a hundi and sells it to merchants who have to make payments in Calcutta. The drawer must have an office or agency in Calcutta who will honour the hundi or the drafts drawn. These hundis or cheques often pass through several hands before being presented for collection. As far as I have been able to gather, the hundis are always payable at Calcutta.

1427. How and to what extent does the indigenous banker in your district assist in financing agriculture, trade and industry? State also the part played by the money-lender.—The indigenous banker by his work prevents actual flow of money from this district to Calcutta and vice versa. At the same time he helps trade by providing ready finance. The work of the money-lender, however, consists in advancing money to needy people, be they agriculturist, trader or industrialist. His sole object is making money by lending at the best possible rate and along with the best possible security. He thus indirectly helps agriculture, trade and industry, while a banker directly helps trade only. The activities of money-lenders far exceed that of the indigenous banker.

1428. State what you know of the organisation of the indigenous banking system (including money-lending) in your district with regard to (a) the amount of capital invested, (b) the volume of their business, and (c) their expenses—There is no organisation of the indigenous banker or money-lender. It is difficult also to find out correct figures of the amount of capital invested, the volume of business or their expenses. I supplied the Committee with the following approximate figures before, regarding urban and rural money-lenders by my letter dated 25th November 1929:—

	No. of money-lenders.	Capital.	Interest earned.	Expenditure.
		Rs.	Rs.	Per cent.
Urban	51	₹2,49,000	1,93,000	2
Rural	80	20,68,000	3,10,000	2

The total volume of business of indigenous bankers will be about 50 lakhs a year. Their expenses are negligible, as this business is a subordinate one only.

1429. Can you tell us anything about the various forms of hundis and other credit instruments used by indigenous bankers and the extent of their use and supply us with some sample copies of any hundis, promissory notes, deposit receipts, etc., used in your locality?—As already stated, there are principally two forms of hundis. Generally, hundis are made payable at sight but often 18 days are allowed before they become mature. No other credit instruments are known to be used. A few sample copies are submitted (not printed).

1430. 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. How do they differ from the methods followed by money-lenders?—I have not found any cash credit being given by any of the indigenous bankers. He often grants loans in the form of promissory notes at usually 12 per cent. rate of interest. The loans are for short-terms and long-terms also, and frequently made through "khatas" over "postage stamps" called "atal." I have already informed the Committee, through my Assistant Commissioner, of the various ways of investments by money-lenders. The rates of discount charged vary according to the necessities of the parties concerned, but the limits are determined by the expenses that would be incurred if the money was sent through a postal insurance cover. Thus for a hundi for Rs. 1,000 payable at sight the discount will be Re. 1-4 to Re. 1-8. But often no discount has to be paid if the buyer himself has necessity to send money quickly to Calcutta. In the case of muddati hundis (the period of usance is 18 days) the rate of discount charged varies from 9 to 12 per cent. per annum generally.

1431. What are the means by which indigenous bankers provide themselves with funds to meet their demands?—As already stated, all payments are made in Calcutta. The fund arises out of ordinary vocations of the drawee and is remitted by his personal resources. I cannot say if the drawee, e.g., the merchants who come to buy nuts or rice in this district are financed by any bank at Calcutta on the security of the goods purchased here.

1432. What are the rates of interest allowed on various kinds of deposits received by them?—Very few of those who deal in hundis receive any deposits from the public. But I have come across cases where money is kept on deposit with them by acquaintances who cannot make use of it themselves, e.g., widows and orphans. But this is not peculiar to indigenous bankers; in fact they get it like other big merchants who have a reputation for solvency. The rate of interest paid on such deposits is 6 per cent. per annum and such deposits are payable generally on demand.

1433. What are the rates of interest which the agricultural community has to pay at present to (a) the indigenous banker and (b) the money-lender? What are the rates of interest in kind, received by the money-lender?—The indigenous banker has practically nothing to do with the agricultural community. My note regarding money-lenders may kindly be seen.

1434. After making allowance for the legal expenses, management charges, losses through foreclosure, can you give an idea of the net return to indigenous bankers and money-lenders on their capital?—The net return will be about 18 per cent. on an average, but it all depends on the personality of the money-lender and his capacity to realise dues. It is often found that after the death of a money-lender his son or heirs can hardly realise any capital outstanding. A capable man may realise 25 cent. or more, while another finds it difficult to realise 10 per cent. even. Money-lenders now-a-days generally complain of the bad days they have fallen on as the debtors do not keep word and pay timely. A litigation usually means loss to them. Moreover, they complain of bad treatment by their debtors and are often afraid of the court decrees. The return to indigenous banker on hundi business is very small. In the case of the biggest banker probably of this district I found a profit of Rs. 1,251 only on a turnover of Rs. 7,79,860. This is gross as well as net as there is no specific expenditure against it.

1435. Do you think there is a large amount of money in the hands of indigenous bankers and money-lenders which does not find employment throughout the year?—No. Usually the complaint is want of sufficient funds.

1436. Are the amounts of income-tax paid by (a) indigenous bankers and (b) money-lenders in this district now larger or smaller than they were five years ago?—Income-tax paid by the money-lenders is now much more—probably treble—than what was paid five years ago. The reason of this great improvement is the proper tackling of these tricky people, many of whom were detected in their attempts in producing a false set of accounts. This is the real cause; otherwise there is no great change in their activities. The advent of the banks and of the co-operative credit societies has somewhat hampered their activities. I believe their importance is fast declining. The income-tax paid by an indigenous banker is negligible. In fact, income from this source only is not assessable even.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

DACCA.

FIRST DAY.

February 19th, 1930.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

RAI BAHADUR SASADHAR GHOSE.

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. S. Bose, I.C.S., Subdivisional Officer, Munshiganj, called and examined.

1437. **Dr. Sinha:** In reply to Question 1, Part I, you have stated that the older Central Bank at Munshiganj is in a very bad way owing to over-financing of rural banks. What is the name of the Central Bank?—Bikrampur Co-operative Central Bank.

1438. Did it grant loans to the rural societies to the fullest extent asked for and fail to take proper steps for realization?—Yes, they did not take steps for punctual repayments.

1439. Are any steps being taken to remove this defect?—Yes, by eliminating bad societies and forming new ones on improved lines with more desirable members. We are also asking for the liquidation where absolutely necessary.

1440. Is this process still going on?—There has been no recurrence since 1927. But it is very difficult for the Central Bank to control it.

1441. Why?—Because when the loan is sanctioned by the Central Bank, the rural societies distribute the money in any way they please and invariably the *panchayets* appropriate the bulk of the amount. The Central Bank can hardly exercise any control over this in actual practice, though it is empowered to do so under the by-laws.

1442. **Rai Bahadur S. Ghose:** The rural banks always send a list of the names of those who will be given loans as also of the amount of the loans?—Yes, but the members are so much afraid of the *panchayets* that they cannot file disputes when these lists are ignored.

1443. **Khan Bahadur A. Haque:** Is it then a case of unequal distribution of available funds and also consequent over-financing?—Yes, it is.

1444. **Khan Bahadur H. U. Ahmed:** What remedy do you suggest?—My remedy is rather drastic. I think the societies should be composed of members of equal rank and I should try to eliminate the powerful and influential men among the *panchayets*.

1445. **Rai Bahadur S. Ghose:** Are not the *panchayets* the only literate people in the village?—Not necessarily, but the rank and file have always to give in to the *panchayets*.

1446. **Khan Bahadur A. Haque:** At the time of audit and inspection are not these facts noticed by the auditors and inspectors?—Yes.

1447. Are not the facts brought to the notice of the Central Bank?—Yes, but the Central Bank can do nothing as they are not empowered to interfere in the internal administration of the societies.

1448. **Khan Bahadur H. U. Ahmed:** In such cases why does not the Central Bank refuse further loans?—I think the best remedy will be to liquidate such societies instead of stopping payment.

1449. **Khan Bahadur A. Haque:** What is your impression, are not the poorer members always more punctual in their repayment?—Yes.

1450. **Dr. Sinha:** You say that the loans under the Land Improvement Loans Act are rare. What is the reason?—There is never much money in the budget.

1451. **Rai Bahadur S. Ghose:** What is the amount sanctioned?—For 1927-28, it was Rs. 3,000.

1452. **Khan Bahadur A. Haque:** Do you think that these Land Improvement Loans are popular?—They are very little known.

1453. But will they be popular if they are made known?—Yes, then they will be popular, if the conditions are not very stringent.

1454. Are the conditions very stringent?—I can't answer you off-hand.

1455. **Khan Bahadur H. U. Ahmed:** You say that loans are generally taken in the month of Agrahayan, why is it only in the month of Agrahayan?—Because in my subdivision jute is the main crop, the season is Sravan, Bhadra and Aswin, and the cultivators feel the want of money from the month of Agrahayan.

1456. In reply to question 1 (ii), you say that you have never heard of loans being taken on the security of standing crops. So the system of advance or *dadan* to the cultivators is not prevalent in your area?—No.

1457. **Khan Bahadur A. Haque:** Do the cultivators take advances from the *farios* or *beparis*?—Not to my knowledge.

1458. In your written reply you say that the money-lenders never enforce punctuality in repayment. Do you advocate any legislation to remedy this—I don't think there are many cases where money is refused by the mahajans when offered. I don't want any legislation.

1459. **Khan Bahadur H. U. Ahmed:** In your reply you say that if the Co-operative movement can proceed on right lines and under the fostering care of the Co-operative Department..... What do you mean by "right lines" and "fostering care?"—By "right lines" I

mean the lines indicated in the Maclagan Committee's Report. It should be insisted that primary societies should be societies of equals. By "fostering care" I mean there should be more State aid.

1460. **Rai Bahadur S. Chose:** Have you got any experience of the co-operative movement in other districts?—Only of the Midnapore district.

1461. It has been suggested that the time has come when this department should be handed over to non-officials?—My experience leads me to think that there should be more real control by Government.

1462. Are you aware that people in different districts are chafing against State control?—My experience is that Government control is too light now. If the district officers take more interest in this movement, I think the movement will be more successful.

1463. Do you mean to say that the internal working of the village primary societies should be controlled by Government?—I do not mean exactly that. What I want is that there should be effective control by way of audit and inspection by Government officers.

1464. Have you got any objection to non-official administration?—What I think is that just at present the members of primary societies do not know what is meant by co-operation, and do not realise the ethical value of co-operative movement. When an honorary organiser goes to start a co-operative society he does not explain the ethical side of co-operation that the members should be thrifty, but he only says that the members will get money at a low rate of interest.

1465. **Khan Bahadur H. U. Ahmed:** Who then should organize the societies?—I think that there should be some paid agency, who will explain to the members in detail the ethical as well as the practical value of co-operation.

1466. **Dr. Sinha:** In reply to Question 2 (xii), you say that *muddati hundis* are more popular, but we have been told that *darsani hundis* have become more popular on account of the exemption of stamp duties?—I made enquiries in 2 or 3 places and I was told that the merchants prefer *muddati hundis*. I don't know the rates of discount of *darsani* or *muddati hundis*.

1467. **Rai Bahadur S. Chose:** About jute, in your reply you mention the "mischievous speculation of European buying firms." Shall I be correct if I say it is the mischievous "combination of buying firms?"—There is speculation as well as combination, but I don't think it is regular combination; there may be such combination in Calcutta, but I have no knowledge.

1468. From your experience of the jute business do you believe that provided they get proper training, the educated young men will have a wide field?—Yes, educated young men with two years' experience can earn decent living in this business.

1469. **Khan Bahadur A. Haque:** You say, religious objection of the Muhammadans to accept interest stands in the way of the rapid spread of the co-operative movement. Do they object to pay interest?—No, only to accept interest.

1470. **Dr. Sinha:** In reply to Question 2 (a), Part I, you say that the paid-up capital of loan offices is insignificant in comparison with the working capital. Do you consider it desirable to have legislation

so that deposits in such institutions should not exceed certain multiple of the sum of the paid-up capital and reserve fund?—I think it is desirable, if you give increased facilities to the loan offices,

1471. In reply to Question 2 (b), Part I, you say that there is a tendency to build up a Reserve Fund out of the profits but this too is insignificant compared with the working capital. Would you advocate limitation of the rate of dividend till the reserve fund equals the paid-up capital?—Yes, I think this is desirable. In that case loan offices paying big dividends will not suddenly collapse.

1472. What is the longest period for which deposits are taken in the loan offices?—One year.

1473. In reply to Question 4, you say that the Reserve Fund of loan offices is rarely invested in Government or other marketable securities. Is the Reserve Fund separately invested by them or does the bulk of it form part of the working capital?—I think the Reserve Fund is insignificant and only a small part of it is invested in Government and marketable securities. It is not a part of the working capital.

1474. Do you think it desirable to have legislation compelling loan offices to invest their Reserve Fund in Government or other marketable securities?—No, they are doing it as a matter of course.

1475. With regard to your reply to Question 7, will you kindly let us know whether there is enough scope for ordinary commercial banking by the loan offices other than purely money-lending business?—I think there is scope to a certain extent so far as jute is concerned.

1476. In reply to Question 8 (ii), Part IA, you say that the rate of dividend is Rs. 17/8. Is this the rate of dividend of both the loan offices in your subdivision?—No, only for the older bank.

1477. **Khan Bahadur H. U. Ahmed:** In reply to Question 6, you have stated that the loan offices do not help the agriculturists on account of their commercial difficulties. But what would be the effect of their financing agriculturists?—It would be disadvantageous to the agriculturists.

Mr. K. B. Saha, Lecturer in Economics, Dacca University, called and examined.

1478. **Chairman:** You are a lecturer of the Dacca University in Economics?—Yes, on Currency and Banking.

1479. **Dr. Sinha:** In reply to Question 2 (vi) (a) of Part I, you have said that the European collecting firms in the jute centres are financed by the Imperial Bank, while the few Indian firms are mostly financed by indigenous bankers. Could you tell us the methods and the terms on which such financing is carried on?—The European firms obtain the necessary finance from the Imperial Bank of India and advances taken are repaid after selling the jute in Calcutta through their Calcutta offices.

1480. On what security are the loans taken?—I have no idea.

1481. How do the indigenous bankers finance?—Sometimes they advance money on personal security of the borrower and sometimes, if necessary, on mortgage.

1482. Do you advocate the starting of land mortgage banks in this province?—Yes, at least in selected areas.

1483. For what classes of people do you want these banks, for landlords, tenure-holders or actual cultivators or for all these classes?—Chiefly for actual cultivators. Experiment might be made to advance loans to other classes of people, but the primary object should be to meet the necessities of the cultivating class.

1484. What are the necessities of the cultivators?—The most important necessity is the redemption of the existing debts, which are said to be extremely heavy. These are often permanent, that is, running from one generation to another and they lead to the ultimate ruin of the cultivators.

1485. Should these land mortgage banks be co-operative in character?—I don't think they should be co-operative in character. After all, the main resource for such banks will have to be secured by the issue of debentures.

1486. Will members of co-operative rural societies be allowed to become members of these land mortgage banks?—Yes.

1487. What would be the area of operation of these land mortgage banks?—That all depends on the circumstances of each case.

1488. You say that land mortgage banks should not be co-operative in character and at the same time you suggest that these land mortgage banks should finance members of rural societies?—Yes, the co-operative societies will merely recommend.

1489. If that is your opinion, why do you want to replace the loan offices?—I don't know if loan offices have enough and suitable resources to perform the duties of the land mortgage banks in issuing long term loans.

1490. What would be the period of long term loans?—25 or 30 years.

1491. So far as the Muhammadan law of inheritance is concerned, will the difficulty of these banks in regard to long term loans be greater than in the case of the mahajans?—I do not think it would be greater.

1492. In reply to Question 5 (iv) you say that majority of debts incurred by agriculturists are for marriages. Is this the case all over the district or in any particular area?—I think all over the Dacca district. So far as Muhammadans are concerned, debts incurred are for marriages, and for Hindus they are for other social ceremonies also.

1493. You say that the Usurious Loans Act is availed of to a certain extent only. What is the reason?—I cannot say.

1494. In your reply to Question 7A, what are your reasons for negating the proposal that co-operative central banks should be permitted to grant loans to individual members and depositors?—The main object of the bank is to finance primary societies and I think their resources also should be confined exclusively to the interests of those societies.

1495. **Rai Bahadur S. Ghose:** Should not the interests of the depositors, too, be considered?—No, for then it becomes a commercial bank.

1496. **Dr. Sinha:** You have said that one of the factors standing in the way of rapid spread of co-operative banks, is the loan policy of

the societies. What is this loan policy and how does it retard the growth of the co-operative movement?—There are so many formalities to be gone through by an applicant for a loan, whether an individual or society, that by the time the amount is actually handed over to the borrower, the necessity has often passed away.

1497. **Chairman:** That is an example of delay. What is the principle in the policy to which you object?—I only intended to refer to this delay.

1498. **Rai Bahadur S. Chose:** Do you think the delay is unnecessary and avoidable?—I don't say there is always an unnecessary delay, but the delay is very inconvenient to the borrower who in cases of urgency finds no other alternative but to go to the mahajan for the money.

1499. **Khan Bahadur H. U. Ahmed:** Can you make any practical suggestion to remedy this defect?—I cannot give you any practical suggestion at this stage.

1500. **Dr. Sinha:** You say agricultural indebtedness is increasing. Are assets also increasing along with the indebtedness?—I do not think so.

1501. In reply to Part II, Question 6, you refer to "effective legal limitation of interest." Can you suggest how this may be brought about?—I think the Usurious Loans Act is not effectively employed by the courts. The law ought to be more strictly enforced. At present there is no maximum limitation of the rate of interest which I would like to be fixed.

1502. **Chairman:** Do you want a maximum rate of interest to be fixed by law?—Yes, at present it seems that judicial authorities do not take this law seriously. This should be enforced more rigidly.

1503. **Dr. Sinha:** Do you want the same maximum for the whole province?—Yes.

1504. What would be the maximum rate?—18 to 24 per cent.

1505. Do you want the same rate for secured as well as unsecured loans?—For secured loans a lower rate and for unsecured loans a higher rate.

1506. In reply to Part III, Question 1 (v), you suggest that every post office in the rural areas should have a Savings Bank Department. Do you want that this should be introduced even in extra-departmental post offices?—To encourage the habit of investment every possible facility should be given to the people of rural areas.

1507. You have suggested a small increase in the rate of interest for Cash Certificates. Does the present rate of interest on Postal Savings Bank deposit need revision also?—Yes, the rate is so low now that it does not attract many savings.

1508. Don't you think that the raising of the rate of interest for Cash Certificates and for deposits in Post Office Savings Banks will adversely affect the interests of indigenous bankers, co-operative societies and loan offices?—These savings bank deposits are small deposits. I do not think that if such small deposits are made with the Postal Department, they are likely to have a prejudicial effect on the indigenous bankers.

1509. How would you popularise the Cash Certificates?—At present certificates are purchased by middle class people only. I have already made a suggestion in my memorandum that in order to popularise Cash Certificates, they should be written in Bengali and the transactions in connection with them ought to be carried on in Bengali.

1510. Should the withdrawal of savings bank deposits be permitted oftener than once a week? For instance, would you advocate daily withdrawal?—No, this is not necessary. I think present facility is quite sufficient.

1511. Should the benefits of Postal Insurance Scheme be extended to the general public?—If Government can manage that sort of business, there is no harm.

1512. But the rate of mortality of the general public is said to be higher than that of the Government servants?—In that case the rates of the premiums may be raised.

1513. **Khan Bahadur A. Haque:** In your reply to Question 4 (ii) you say “though the landlord has got the right of purchase when a holding has been transferred this right is not likely to be exercised except in rare cases and therefore it is not likely to seriously affect the demand price of the agricultural land.” Do you think that if it is exercised it will affect the demand price of the agricultural land?—Yes, it will decrease the value to a certain extent.

Mr. Matilal Dam, M.A., Lecturer in Economics, Dacca University, called and examined.

1514. **Dr. Sinha:** In reply to Question 4 (ii) you say that smallness and fragmentation of holdings do not materially stand in the way of establishing long term credit institutions. But are not the agricultural holdings in Bengal much smaller than in Western countries like Germany?—Yes.

1515. Will not the loans against such small and fragmented holdings be equally small and the cost of verifying the rights and for charging the property fall heavily on the agriculturists?—Yes, it will be so in Bengal, but not in other provinces.

1516. Is there any danger that a person with a fractional title only may borrow money from the land mortgage bank holding forth the entire title to the land?—That may be the case where the bank is not properly managed.

1517. Can you make any suggestion for guarding against this danger?—I have not given any thought to this matter, but I think that the title deeds must be very carefully examined.

1518. In reply to Question 4 (iv) you suggest the establishment of two different types of land mortgage banks. What different classes of customers and what different needs are proposed to be served by them?—I have suggested co-operative land mortgage banks and joint-stock land mortgage banks with the idea that there is a sentiment against the co-operative land mortgage banks, but none against the joint-stock banks. My impression is that joint-stock banks will serve the cultivators better and more quickly than the co-operative land mortgage banks.

1519. Why?—Because, the co-operative movement is of slower growth, and from the progress of the co-operative societies, my

impression is that they should have done more than what they have done.

1520. The existing loan offices are taking the place of the joint-stock banks proposed by you. Why do you want these new institutions?—There is a good deal of difference between these two. The loan offices do lend money on the mortgage of real property but at a high rate of interest. Therefore, most of the money lent to the cultivators are not paid on due dates because of the high rate, whereas in the proposed land mortgage bank, the plan of repayment will be by small equated payments spreading over a large number of years.

1521. What is the number of years you propose for repayment?—30 to 50 years. There may be another type of loan called as intermediate loans which will be only for 5 years.

1522. **Khan Bahadur A. Haque:** Will it not be beneficial if the proposed bank is run on co-operative principles?—Yes.

1523. **Dr. Sinha:** What should be the minimum paid-up capital of a joint-stock bank?—That would depend upon the requirements of the particular area.

1524. What should be the proportion between paid-up capital and the total liabilities?—10 or 15 times the paid-up capital.

1525. Why do you propose double liability for shareholders of mortgage banks although there is no such liability in the case of other credit institutions?—Because shareholders will have increased stake which is very much desirable in such banks. With this liability and with suitable Government help and backing the risks will be considerably minimised.

1526. What is the nature and extent of Government supervision recommended by you?—There should be annual audit by State appointed auditors and occasional inspection.

1527. Would you advocate the inspection of such joint-stock banks on dates not previously known to the banks?—Yes, surprise audits and inspections.

1528. What facility would you require from the State in the term for the Government control?—Government may guarantee the interest on the debentures of such land mortgage banks.

1529. Will it have to guarantee the principal also?—No.

1530. For the proposed joint-stock banks do you think that the paid-up capital will be sufficient to meet all needs?—I don't think that alone will be sufficient, they will have to receive deposits from the public and in addition they will have to float debentures.

1531. With regard to the provision of long term credit on a co-operative basis, do you advocate the starting of primary and central mortgage societies?—Yes.

1532. What would be the areas of operation of these two classes of societies and what relation would they bear to each other?—Primary societies should be limited to small rural areas and central societies should be centred in a subdivision.

1533. What would be the relation between these institutions and the existing co-operative central and rural societies supplying short term credit?—These co-operative land mortgage banks may be organised as parts of the existing co-operative organisations both

central and primary, provided the accounts of long and short term loans are kept entirely separate from each other in water-tight compartments and that the primary societies are not made liable for the loans made on land mortgage.

1534. **Rai Bahadur S. Chose:** Are the loan offices desirable institutions for the financing of agriculturists?—They are much better than the mahajans, but I don't say they are ideal institutions for the purpose. I want to bring them to the level of land mortgage banks I have proposed by reducing the rate of interest.

1535. **Dr. Sinha:** In reply to Question 3, Part IA, you refer to interest rates for different classes of deposits in loan offices. In what districts do these rates prevail?—In the districts of Mymensingh, Rangpur, and Dinajpur.

1536. What is the maximum period for which special current deposits are kept?—For one year.

1537. With regard to these deposits, are they withdrawable after notice or are they fixed for a period?—According to rules in each loan office they are paid on maturity.

1538. Is there any difference between 3 years' deposit and deposits payable after 3 years' notice?—Yes, there is; in case of deposits repayable at 3 years' notice, the deposit is repaid 3 years after the notice is given, but in the case of three years' fixed deposit, it is given back automatically three years after the date of making the deposit.

1539. Is it the general practice to give notice at the time of making the deposit?—Yes.

1540. Do you know of any loan office which has opened current accounts withdrawable by cheques?—No.

1541. Will you please amplify your proposals with regard to Government control. What should be the nature of control?—I would recommend, firstly, that Government should fix up a legal minimum paid-up capital, because at the present time the capital of these loan offices is most insignificant. I would like to suggest, secondly, that the total liabilities of the loan office should not exceed a certain multiple of the paid-up capital plus reserve fund.

1542. Have you any other suggestions to offer to control and improve the working of the loan offices?—My first suggestion is, as I have said just now, that there should be a minimum fixed for the paid-up capital, and the deposits should not exceed a certain multiple of paid-up share-capital plus the reserve fund. My other suggestion is that there must be systematic and periodic Government audit and inspection.

1543. Would you advocate surprise audit?—Yes.

1544. What other suggestions have you got?—My next suggestion is that the loan offices at present have a tendency to distribute all their profits among the members, and while I do not like to fix a limit of dividend, I think that a certain percentage of the profit should first be allocated to the reserve before it is distributed.

1545. It has been suggested to us that there should be limitation of the dividend till the reserve fund equals the share-capital?—That, in my opinion, would be harmful, because the business must be made paying.

1546. Any other suggestion?—The secretaries of these loan offices are generally unemployed or unemployable persons without any education in commercial matters. My suggestion is that the secretaries should be recruited from Graduates of Commerce with some experience.

1547. **Khan Bahadur A. Haque:** You know, up till now, nobody except the lawyers has come forward to help these loan offices. Have you any complaint against them also?—No, I have no complaint against them. In my opinion lawyers are the best persons to organise and conduct these loan offices.

1548. **Dr. Sinha:** Can you suggest anything else?—Regarding the reserve fund, my suggestion is that it should be invested in Government securities. But there is a disadvantage in this also. The price of Government securities has been very fluctuating. Therefore, it would be far better if the loan offices can invest their reserve fund in Postal Cash Certificates. In that case the maximum limit of holding of the Cash Certificates should be raised to Rs. 20,000.

1549. **Chairman:** Have you considered that if they invest in Cash Certificates they can't realize except at a loss of interest, but if they invest in Government securities, they can borrow against them from the Imperial Bank?—But the Imperial Banks are often located at distance. My next suggestion is the organization of Central Banks and, if it is not possible to form an all-Bengal Central Bank, it will serve our purpose if the banks of Jamalpur, Bogra, etc., be all federated into one later on in Calcutta. I think the best stability of banking system is the organization of a Central Bank. In those areas where there will be a number of loan offices, the Imperial Bank might think it desirable to open a branch in the interests of the loan offices. The Imperial Bank at the request of the loan offices might grant loans on the security of deposits. If the Central Banks be established there will be no necessity for the branches of the Imperial Bank.

1550. **Khan Bahadur A. Haque:** Do you think the recent amendment of the Bengal Tenancy Act has affected the credit of the agriculturist on account of the 20 per cent. *salami* and right of pre-emption?—Even before the amendment he had the right to transfer. I don't think it has materially strengthened his credit.

Mr. Banku Behari Ghose, Subdivisional Officer, Jamalpur, called and examined.

1551. **Chairman:** How many Central Co-operative Banks have you got in your subdivision?—They are four,—Jamalpur, Madarganj, Sarisabari and Pingna.

1552. With how many rural credit societies?—About 500.

1553. How many loan offices have you got?—About 175.

1554. Both these organisations finance the agriculturists in the villages?—Yes and also the mahajans do so.

1555. These loan offices obtain their capital chiefly from deposits?—Yes.

1556. Do you know on what terms these deposits are accepted?—They are current as well as fixed deposits.

1557. On current accounts do they pay any interest?—Yes.

1558. Do they pay by cheques?—I am not aware.

1559. For what periods are fixed deposits accepted?—1 to 5 years.

1560. Are they fixed for these years or repayable on notice of so many years?—I think on notice of so many years.

1561. These two organisations, are they sufficient to meet the needs of the agriculturists?—No. In addition to these two organisations there are the village money-lenders to whom people go to borrow money.

1562. What stands in the way of extending the co-operative movement further so as to oust all other agencies?—I have stated that in my report. Want of education and sense of responsibility stand in the way of extending the co-operative movement within the subdivision.

1563. What is the total of the Central Co-operative Banks' capital?—15 lakhs.

1564. Should the formation of these loan offices be encouraged?—I would not encourage the extension of loan offices because they are apt to over-finance the cultivators by tempting them to borrow more than they need and more than they can repay.

1565. Do you think that they should be allowed to grow side by side with the co-operative organisations, and, if so, under what restrictions?—Loan offices will be more useful if their rate of interest is restricted.

1566. Do these loan offices enquire into the necessity of the loan?—No, they only enquire whether the borrower has got sufficient security.

1567. At present co-operative credit societies are unable to finance the agriculturists for the purpose of redemption of their old debts or for any outlay on improvements?—I think so.

1568. The loan offices can do this on mortgages?—I think so.

1569. Do you agree that land mortgage banks should be established for the purpose of financing the agriculturists with long term loans which cannot be repaid from a single harvest?—Yes.

1570. **Rai Bahadur S. Ghose:** Have you got any experience of Central Banks?—I have been the Chairman of the Pingna Central Bank for six months.

1571. Do you know that loans are issued to the members of rural societies on mortgage of the land?—I do not know if they mortgage their land, but they always take two personal sureties.

1572. In your opinion the debtors are likely to take more loans if the rate of interest of loan offices is lowered?—Yes.

1573. Do the loan offices issue loans always on simple bonds?—Mostly on simple bonds.

1574. Can you account for the growth of so many loan offices in your subdivision?—Fertility of the soil and the profits the loan offices are giving.

1575. **Khan Bahadur A. Haque:** You have some idea of the Co-operative Jute Sale Society?—Yes, I am the Chairman.

1576. It is controlled by the Wholesale Society at Calcutta?—Yes.

1577. In your opinion is the Jute Sale Society working on proper lines?—No.

1578. Have you got anything to suggest for improving the working of the societies?—It cannot be because jute is not the monopoly of anybody.

1579. Do you think that the Co-operative Department should abandon the idea of Jute Sale Societies?—I am not so pessimistic as that.

1580. **Rai Bahadur S. Ghose:** How long have you been the Chairman of the Jute Sale Society?—For about 18 months.

1581. You have by-laws approved by the Registrar of Co-operative Societies?—Yes.

1582. Have you noticed that the educated young men of Bengal are getting an opportunity of having training in jute through your society?—Yes, a few.

1583. Do you know that there is a project of capturing the entire jute of Mymensingh?—I do not know.

1584. When you were a Director of the Wholesale Society, did you point out the faults of the Wholesale Society?—Yes.

1585. Have you ever thought of any line of improvement that can be followed by the Co-operative Jute Sale Society?—No.

1586. **Khan Bahadur H. U. Ahmed:** You say these loan offices may be converted into land mortgage banks for the agriculturists?—They might form the nucleus of future land mortgage banks.

1587. On co-operative basis?—Land mortgage banks should be on co-operative basis.

Mr. N. N. Chakravarti, Assistant Commissioner of Income-tax, Dacca, and Mr. Pannalal Adhikari, Income-tax Officer, Dacca, called and examined jointly.

The following is a summary of their evidence:—

1588. The Banks and Loan Offices at the district headquarters, subdivisional headquarters and other places of the district of Dacca are:—

Banks at the District Headquarters.

Dacca Bank Limited (Digbazar).

Dacca Loan Office Limited (Dacca).

Dacca National Bank Limited, 26, Sutrapur Road.

Exchange Loan Company Limited, Delkusha Road.

East End Bank Limited.

Agricultural Loan Office Limited.

Bengal Zemindari and Banking Company, Limited.

Rajnagar Loan and Trading Company, Limited, 4, Old Court House Road.

Banks at Subdivisional Headquarters.

The Bikrampur Banking and Loan Company, Limited, Munshiganj.

Manikganj Industrial Bank Limited.

Manikganj Loan Office Limited.

Manikganj Popular Bank and Stores Limited.

Manikganj Trading and Banking Company, Limited.

Munshiganj Loan Office Limited.

Manikganj Bazar United Bank Limited.

Narayanganj Banking and Loan Office.

Banks at Mufassal.

Baradi Uthali Bank Limited, P. O. Uthali.

Bikrampur Banking and Trading Company, Limited, Singpara Bazar, Kola.

Lesraganj Bank Limited, Lesraganj.

Patgram Loan and Trade Concern Limited, P. O. Patgram.

1589. We submit a statement showing the relative proportions of the different items of working funds in the different loan offices.

Paid up capital.		Reserve fund.		Short time deposit (current and savings bank deposit).		Intermediate deposit (3 months to 2 years from the date of deposit or from notice).		Long time deposit (3 years to 5 years and special or provident deposit).	
Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.	Rs.	A. P.
(1)	51,950 0 0	Nil		1,55,348	7 5	2,13,277	5 9	Nil	
(2)	66,200 0 0	500 0 0		3,494	4 6*	29,145	6 9	....
(3)	14,354 0 0	Nil		414	8 0	2,000	0 0	....
(4)	23,700 0 0	....		....		....		....
(5)	10,845 0 0	Nil		658	13 9	12,423	12 0	....
(6)	7,490 0 0	1,463 5 6		12,870	5 0	19,784	14 9	6,270	0 0
(7)	12,500 0 0	27,800 0 0		76,790	14 10	5,03,235	10 3	....
(8)	5,852 0 0	Nil		3,901	0 0	3,307	11 6	....
(9)	12,000 0 0	5,071 14 3		42,306	6 3	2,30,211	13 9	....
(10)	12,060 0 0	15,733 11 3		9,923	2 3	1,49,505	13 3	....
(11)	9,960 0 0	192 3 6		7,475	6 9	4,549	11 9	....
(12)	14,200 0 0	3,700 0 0		1,475	6 3	53,982	9 9	....
(13)	19,212 0 0	1,040 1 6		52,409	3 6	....		....
(14)	12,491 0 0	....		2,864	12 0	....		....
(15)	7,448 0 0	....		923	14 9	2,131	0 0	....
(16)	11,971 12 0	82 0 0		5,382	5 7	27,844	2 9	....

1590. The following rates of interest are allowed on different classes of deposits:—

(1) Current deposits—Maximum 3 per cent. per annum on daily balances.

(2) Savings Bank deposit—Maximum 5 per cent. per annum.

(3) Fixed deposits—

(a) Not exceeding 2 years—6 per cent. to 8 per cent. per annum.

(b) Above 2 years—7½ to 10 per cent. per annum.

(4) Special deposits—5 to 7 per cent. compound interest.

1591. Longest periods for which deposits are accepted are:—

- (1) Fixed deposit not exceeding 5 years.
- (2) Special or Provident deposit not exceeding 20 years.

1592. The different periods, purposes and rates of interests, for which loans are granted, are:—

- (a) On demand, for business or private purposes—Rates of interest varies from 9 to 30 per cent. per annum.
- (b) At sight of 30 to 90 days for business purposes, mainly—Rate of interest varies from 9 to 18 per cent.
- (c) On simple or mortgaged bond for period of 6 months to one year for private purpose generally—Rate of interest varies from 15 to 30 per cent. according to amount.
- (d) Pledged goods or pawn for period of 30 to 45 days for business or private purpose—Rate of interest varies from 12 per cent. to 18 per cent. per annum.

1593. Compound interest is charged generally on six monthly or annual rest.

1594. Interest is deducted in advance at the time of granting loans. Loans are given for a fixed period. Steps taken for overdue loans are as follows:—

- (1) Additional interest charged when overdue.
- (2) Pledged goods sold off.
- (3) Party sued for balance.

1595. These institutions lend money to agriculturists generally on mortgage or on bonds of joint and several liabilities.

1596. They undertake other business also besides banking. Generally not more than 1/3rd of their capital is so employed. Name of such banks, and the business undertaken—Bikrampur Banking and Trading Company, Limited, Cloth business.

1597. Generally 4 to 6 per cent., of profit is utilised in building up a reserve fund and the reserve funds are generally invested in Government papers or are deposited with other banks.

1598. The rates of dividends allowed by some of these loan offices during the last 5 years are as follows:—

1924.	1925.	1926.	1927.	1928.
Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Nil	Nil	Nil	Nil	Nil
..	..	..	4½	6½
..	..	..	6½	6½
..	..	12½	15	15
30	40	45	45	45
..	..	..	25	25
..	..	17	17	17
..	..	12½	12½	12½

1599. The present method of their keeping accounts is English—Cash basis. A uniform system of accounting and balance sheets is certainly desirable. We are not in favour of keeping accounts on cash basis.

1600. Strictly speaking there has been no case of bank failure here, but some of the banks are struggling for their very existence. Failure is mainly due to overdrawing without security and other bad investments.

1601. Different kinds of business transacted by the Indigenous Bankers are:—

- (i) Discounting of *hundis*.
- (ii) Arrangement of remittance to and from Calcutta.
- (iii) Collection of bills.
- (iv) Advances to merchants on *Katamiti* interest.
- (v) *Challani* business on commission on behalf of the client.
- (vi) Arrangement of cash credit to a fixed limit on security of movable property or otherwise.
- (vii) Advances on production of contracts as in the case of hide business.

1602. There are six indigenous bankers, out of whom two only have banking as their principal business.

1603. The indigenous bankers in this district do not assist in financing agriculture. This is done by the country side money-lenders, zamindars, *aratdars* and, of course, by the Co-operative Banks and loan offices. In answer to Question 3 we have indicated how the indigenous bankers assist trade. The traders get the necessary accommodation on *katamiti* loans and also on goods in *arat* on condition that the daily sales are credited to the bankers.

1604. We do not think that the indigenous bankers assist in financing new industries.

1605. We are not sure that the figure for capital will not allow of wide variations. The accounts of the mahajans on this side are not annually balanced. Probably in some cases they have not been balanced for the last 30 years.

1606. As far as we know only *khara hundis* or sight *hundis* are used (samples furnished). *Muddati hundis* are sometimes taken by occasional depositors with the idea of keeping some sort of receipt for their deposits. On maturity, they are re-executed.

1607. *Katamiti loans*—Rate of interest 6 annas to 12 annas per mensem according to the credit of the party. The interest is calculated from day to day. And interest is charged on advances made to make purchases for the clients at Re. 1 per cent. per mensem—here also interest runs from day to day and the daily credits of sales are daily deducted from the principal so advanced. In addition *arat* is charged, which varies according to the commodity. Any outstanding interest is capitalised at the end of the year.

1608. The cash credits, as far as we have understood, are advances either in cash or in *hundis*, to approved clients, up to a certain fixed limit. Against such advances, daily sale proceeds are credited. Interest here also is Re. 1 per cent. per mensem. No interest is, however, allowable to debtors on their daily deposits. And where such advances are on securities of immovable property the rate of interest is 12 annas per cent. per mensem. In all cases outstanding interests are capitalised at the end of the year.

1609. Money-lenders only advance on mortgage bonds and promissory notes. Rate of interest depends upon the credit of the party—from 8 annas to 12 annas per mensem on mortgage bonds where the debtors are people of substantial assets. The same kind of business with smaller parties, whose landed properties would not be considerable, the rate of interest is Re. 1-4 to Rs. 2-8. In the case of big advances, the interests are compounded at the end of the year, or sometimes at the end of six months. Money lent on promissory notes bears interest at the rate of Re. 1 per cent. per mensem with debtors of substantial assets. The rate is higher when the debtors are not so substantial—Re. 1-6 to Rs. 2-8 per cent. per mensem. The stipulated time for repayment is generally up to the end of the year.

1610. Current rates of discount charged on the *hundis* are:—

For sums below Rs. 500—annas 12 per cent.

From Rs. 500 to Rs. 5,000—Re. 1-6 per cent.

Above Rs. 5,000—Re. 1-3 per cent.

1611. All the indigenous bankers have considerable Government papers. On deposit of these with the Imperial Bank, they can draw up to 85 per cent. of the market rate of the papers.

1612. And there is also interlending between two bankers.

1613. The indigenous bankers of this district do not receive deposits.

1614. The indigenous bankers do not generally advance loans to agricultural community who are served by the village money-lenders, zamindars, loan companies and the co-operative banks.

1615. The rates of interests which the agricultural classes have to pay at present to money-lenders are *generally* from 15 to 30 per cent. per annum. These are the rates for those raiyats who are better off and can mortgage sufficient lands. The usual short time loans which the average agriculturists receive during the jute season or paddy season bear interest as high as 6 pies to 1 anna per rupee per mensem. These are on *khola khats* and are expected to be repaid within a couple of months or so. This is of course the rate charged by the village money-lenders and the zamindars.

1616. The system of receiving interest in kind is not very common in Dacca district. Where it is so received, the personal account of the debtor is credited with the market price of the produce (this of course is manipulated to the money-lender's advantage) but the interest is calculated on the rate stipulated when the loan was advanced. Purely usufructuary mortgage is not so common in this district, and the rate of interest in these cases cannot be given as such income not being assessable there was no occasion to scrutinise.

1617. We should think that the net return is 15 to 20 per cent. on the capital in the case of the money-lenders and 10 to 12 per cent. in that of the indigenous bankers after making allowances for legal expenses, management charges, loss, etc.

1618. In this district, we think that there is usually a large amount of money in the hands of the indigenous bankers during the dull season—from the middle of Magh to Baisakh. As a result we believe much capital has flown to Calcutta where there is employment of money all throughout the year. We do not think that there is large amounts in the hands of the money-lenders, as there is always a chronic poverty in the villages and such a demand for loans.

1619. It is evidently larger now than 5 years back, but the reason is not that money is fetching better interests, contrary being the fact. This increase is due to reorganisation of the Income-tax Department, as a result of which assessments are now made after searching scrutiny of accounts and of extensive cross references.

DACCA.

SECOND DAY

February 20th, 1930.

PRESENT :

Mr. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

RAI BAHADUR SASADHAR GHOSE.

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Khan Bahadur Kamaruddin Ahmed, Assistant Registrar of Co-operative Societies, Dacca Division, called and examined.

1620. **Chairman:** Have you thought over the question of organisation of land mortgage banks for agriculturists?—Yes.

1621. What is your opinion, should they be co-operative or joint-stock?—Co-operative.

1622. If co-operative, should they be part and parcel of existing co-operative organisation or should they be separate societies?—Part and parcel of the Central Banks but apart from the activities of the Rural Banks.

1623. With joint accounts?—Accounts of the land mortgage bank should be kept entirely separate.

1624. How will they give loans and to whom?—To encumbered cultivators and only to those who are members of Rural Co-operative Societies and not to outsiders.

1625. Will the loans be given through the Rural Co-operative Societies?—Yes and the Rural Societies will be responsible for the realisation of the money.

1626. In case the borrower cannot pay, will the rural societies have to pay?—No, they will simply recommend the loan and will realise it on behalf of the Central Banks, but will have no liability in case of default.

1627. The land mortgage banks which you say will be a part and parcel of the Central Banks will also be on limited liability like the Central Banks?—Yes.

1628. You say they should be part and parcel of the Central Banks. Do you say this because the expenses would be minimised or for other reason?—The same staff can do the work and the same Directorate can manage it.

1629. Would they have separate shareholders?—Yes. Those people who will borrow, will be the only shareholders of the land mortgage banks.

1630. You say that it would be composed only of members of rural societies who will borrow. What is your objection to outsiders borrowing money?—Because that would be opposed to the principles of co-operation.

1631. Apart from borrowers, there will not be other members who will subscribe to the share capital?—Yes.

1632. Then it will be a pure type bank composed of borrowers only?—Yes, there is no use for capitalist members if the capital be otherwise forthcoming.

1633. How do you expect the capital to be forthcoming?—The Central Bank will lend it money. The Provincial Bank will also help.

1634. But none of them can lend for more than four years?—Then the capital will have to be raised by debentures.

1635. Do you want the interest of the debentures to be guaranteed by Government?—Yes.

1636. What will be the security for the guarantee?—The mortgaged properties. The mortgages should be English mortgages or conditional sales and the repayment should be by equated instalments.

1637. In case of a single default, will the mortgage be foreclosed?—Repayment should be punctually enforced and in case of a single default the mortgages should be foreclosed.

1638. In case of sufficient reasons given, default of one or two instalments may be condoned?—In case of extreme necessity caused by natural calamity or otherwise, extension of time may be given for payment of one instalment.

1639. What would be the length of these loans?—The maximum period of these loans should be 20 years.

1640. Then what would be the function of the present rural co-operative credit societies?—The activities of the rural co-operative societies will be limited to the granting of short-term loans.

1641. The extent of their loans will then be considerably reduced. What will the Central Banks do with the surplus fund?—The funds thus realised can be used by the Central Banks in the formation of new societies, in the introduction of subsidiary industries and in a thousand different ways.

1642. **Dr. Sinha:** You said that the rural society will grant seasonal loans. Will they also grant intermediate loans for 2 to 5 years?—Yes, they will do that also.

1643. **Chairman:** If rural co-operative societies and land mortgage banks are established in the way that you propose, will that be sufficient to ameliorate the condition of the agriculturists?—No.

1644. What else do you want?—Subsidiary industries must be developed, because it is impossible for the cultivators to live on their present income. In the Sundarban area I have calculated that by his agricultural income alone a man with 75 bighas of paddy land cannot maintain himself and his family throughout the year and cannot also meet the year of scarcity which occurs every five years. In paddy areas, a man can utilise his spare time in husking paddy and in jute areas he might work on jute-spinning.

1645. **Dr. Sinha:** With regard to jute-spinning as a home industry, can it compete with the mill products?—Yes, in my humble opinion there is no mill in this world which can compete with hand-spinning if the spinner knows how to spin. Moreover, the cultivator is not put to any expense on this account as he will devote his idle hours to this work while the mills will have to spend something, however small it might be, on wages.

1646. **Chairman:** Does the cultivator now get proper value for his produce?—No, there must be better organisation for marketing.

1647. Have you any suggestion to make for the marketing of agricultural produce?—I suggest introduction of co-operative warehouses.

1648. How is the co-operative warehouse to be worked?—The members will bring their crops and deliver the same to the warehouse and obtain a receipt. If necessary, he will be paid in market value or a part of it then and there. If not, he will be paid later after the disposal of his crop. It might be necessary in the initial stage for the cultivator to attend to weighing and grading, but with the increase of confidence he will leave the matter entirely in the hands of the warehouse staff. The warehouse will be the property of the societies who will co-operate to establish it. It will have to engage an efficient paid staff for its management. The surplus left after paying the warehouse expenses will ultimately go back to the cultivators in the form of a rebate. It will be the duty of the warehouse to sell its stock at the best market, if commissioned to do so. I may mention here that like German Industrial banks, the Provincial Bank will have to maintain an expert staff who will be able to give efficient advice on all problems arising out of the marketing of agricultural produce.

1649. Is agricultural indebtedness increasing?—Yes.

1650. Why?—For increase of population, higher standard of living, litigation, extravagance and thousand other causes.

1651. What is the remedy?—Increase of agricultural income by the introduction of intensive agriculture and subsidiary occupations and by inculcation of the principles of thrift and self-help.

1652. How do you propose to inculcate thrift and self-help?—The solution lies with central organisations who are in charge of rural organisations and who can study the mentality of each area. I am not in a position to propose any general method.

1653. By "intensive agriculture" what do you mean?—Improvement of seed, good manuring of land, irrigation, drainage, labour-saving appliances, etc.

1654. **Khan Bahadur H. U. Ahmed:** Do you think it possible to adopt labour-saving machinery in the area in your charge?—Just now I am thinking of introducing improved agricultural implements such as tractors in Patharghata.

1655. **Chairman:** Do you think fragmentation of holdings will stand in the way of the introducing them?—Yes, there will be difficulties in the way.

1656. **Khan Bahadur A. Haque:** Paddy husking is the subsidiary industry you recommend for rice areas. Do you not favour the

formation of rice-mills?—It all depends on the circumstances of each place.

1657. Is the Sale and Supply Society at Khepupara a pure type or a mixed type one?—It is a pure type one composed of agricultural tenants of the Sundarbans. There is a provision in the by-law of each society that the members can purchase and sell their produce jointly through the society. It has now been styled Central Sale and Supply Society.

1658. We had a complaint that the supervisors of the Central Banks have been required to renew their licence year after year?—It is a fact. Such renewals are necessary.

1659. Is the department responsible for inspection of the rural societies?—Whatever duties and obligations there are will be found in the law and the rules.

1660. Are they really carried into effect?—They are, as far as possible.

1661. Do the Inspectors really supervise the work of the Primary Rural Societies?—As far as possible, they do.

1662. **Chairman:** Is the amount of supervision and inspection sufficient in your opinion?—Quite sufficient.

1663. You do not want more Inspectors?—As the societies are increasing every year, we shall require larger number of inspectors.

1664. Is the number of auditors sufficient?—No, quite inadequate

1665. Who registers the society?—I register it.

1666. How is it that you are still increasing the number of societies when the staff is insufficient?—The staff is also increasing.

1667. Under the Act have you got power to refuse registration of a society on the ground of insufficient departmental staff?—No, we cannot refuse an application for registration on this ground.

1668. What is the effect of the 20 per cent. *salami* on sales of occupancy holding and the right of pre-emption of the landlords recently enacted by the amended Bengal Tenancy Act?—I have heard that it has stopped sales.

1669. **Dr. Sinha:** Do the Rural Co-operative Societies in your Division lend on personal security or on mortgage of property?—When the amount goes beyond a certain limit they insist on mortgage.

1670. Is it your experience that A and B class societies deteriorate into D and E after lapse of some years?—I have not made any detailed enquiry into this matter.

1671. **Khan Bahadur A. Haque:** Are you in favour of one Central Bank in each subdivision?—Yes and one in each thana.

1672. **Dr. Sinha:** Why do you say that the co-operative movement plays an important part in financing the agriculturists?—It does so qualitatively though not in the volume of business.

1673. You say there is every necessity of granting financial concessions to co-operative movement. Co-operative movement is more than 25 years old. Why is it that it is still necessary to give it further financial facilities?—When a man is trying to develop himself from inside there is no reason why Government, which is anxious to

preserve its own subjects, should not give him such facilities as will improve his economic condition. Apart from direct financial subsidy, the concessions in the shape of exemption from stamp duty, easy facility to make remittances, etc., will considerably accelerate the uplift of the cultivators. The withdrawal of such concessions means a severe set back to the internal evolution. They will have to be continued so long as the movement proceeds on strictly co-operative lines.

Khan Bahadur Kazi Zahirul Haque, Deputy Chairman, Dacca Central Co-operative Bank, called and examined.

1674. **Khan Bahadur A. Haque:** How long have you been connected with the co-operative movement?—22 years.

1675. You are a Director of the Provincial Bank also?—Yes.

1676. Will you give us your estimate of the value of the present co-operative movement in agricultural finance?—It is decreasing. Improvements can be effected by the spread of co-operation, but some of the co-operative banks are introducing a commercial spirit into the system.

1677. To what do you attribute the cause?—I cannot say exactly, but I found there is a tendency of commercialising the Central Banks.

1678. We heard complaints about too much of departmental interference. Have you got anything to say about this?—That is my impression too.

1679. Will it be possible to give us concrete instances of such interference?—The departmental officers like the Central Banks to be subservient to their wishes in all matters. Adoption of the by-laws is entirely within the power of the societies, but changes are being made in them without consulting the societies.

1680. **Rai Bahadur S. Ghose:** For such change, does the department give any reason?—No valid reasons.

1681. **Khan Bahadur A. Haque:** Has any society organised by your Central Bank been refused registration?—Yes, about 80 societies.

1682. Why?—The Registrar has issued a circular to the departmental officers that unless the new societies adopt certain changes proposed by him, in their by-laws they should not be registered.

1683. Do you mean to say that local conditions are not taken into consideration?—The department has prepared a set of Model By-laws which it imposes on all societies, and any society not accepting these by-laws is refused registration. Strong Central Banks do not care to cringe to the departmental officers and the result is that their jurisdiction is split up and new Central Banks are formed here and there. The new banks cannot have any great credit and have to depend upon the Provincial Bank for finance and the Provincial Bank is entirely under the control of the Registrar.

1684. Are not loans granted by the Directors of the Provincial Bank?—Sometimes loans are granted without reference to the Directors.

1685. **Rai Bahadur S. Ghose:** Do you like the proposal to establish a Central Bank in every thana?—No, on the contrary I think too

many Central Banks will weaken the position of the older banks. I suggest there should be no more than one in every subdivision.

1686. Do you mean to say that new ones are established simply to weaken the older ones so that the department may impose their will upon them?—Quite so.

1687. **Khan Bahadur A. Haque:** Do you think that some of the Central Co-operative Banks in the head-quarters have come to such a stage that they can take up the Treasury work?—Yes.

1688. Is it a fact that the Provincial Co-operative Bank is to a certain extent standing in the way of the development of Central Banks?—No.

1689. What is the constitution of the Provincial Bank?—There is a Board of Directors consisting of 15 representatives of Central Banks and three from Calcutta making up a total of 18. The Registrar is also one of the Directors from the Calcutta centre. For facility of the disposal of work a working committee of five has been formed in which the Directors are called by rotation. This is also known as the Rotation Committee. But there is no actual rotation, the same Directors continuing to sit on it for long periods.

1690. **Chairman:** You mean to say that this Rotation Committee is, in fact, packed?—Yes.

1691. Only a few members are called to this Committee?—Yes, as a matter of fact, rotation is not usually followed.

1692. **Khan Bahadur A. Haque:** Has not the Provincial Bank a legal constitution?—Yes, it has a constitution but no organisation to supervise it.

1693. You think that the time has come when the Provincial Bank should have an independent staff which will be able to take up some of the functions of the department?—Yes.

1694. **Khan Bahadur H. U. Ahmed:** Who recommends the loans?—The Assistant Registrar.

1695. **Rai Bahadur S. Chose:** I understand the position is this: when a certain bank wants money it sends its application to the Provincial Bank through the Assistant Registrar. Is it the procedure?—Yes, all applications must go through the Assistant Registrar.

1696. Cannot the application be sent direct to the Provincial Bank?—Yes it can be done; but even in that case the Registrar's recommendation is necessary. Although the rule is that it should be sanctioned by the Directors, virtually everything is done by the Registrar though he is only one of the members of the Directorate. It is on his recommendations that all loans are granted.

1697. Don't you think it is safe for the Provincial Bank to rely upon the Registrar's recommendations?—In some cases, but I condemn the procedure.

1698. Don't you think that these recommendations are made simply because Provincial Bank Directorate wants them?—Yes.

1699. Then for this procedure the Registrar cannot be blamed, but the Directorate is responsible —Yes.

1700. Do you not think that the Assistant Registrars and the Registrar will be too happy to be relieved of this task?—I am not sure.

1701. Do they not make the recommendations in the interest of the Central Banks?—Yes; but in some cases they make recommendations for some other purpose also.

1702. What do you mean by "some other purpose"?—Suppose there is a fight between the Dacca Bank and the newly established Raipura Bank, in order to strengthen the new bank, they would make indiscriminate recommendations.

1703. **Dr. Sinha:** Is that actually done?—Yes.

1704. **Rai Bahadur S. Chose:** Do you think that any money has been lent to a Central Bank in this way which has not been repaid or is not likely to be repaid?—Not yet.

1705. Have you placed such facts before the Directorate?—No, these facts came to my knowledge only recently.

1706. What do you mean by commercialising the Central Banks?—Central Banks are beginning to do *hundi* business to a great extent. They lend to individuals. I found this in the Mymensingh Bank. I do not know of any other instance.

1707. What do you mean by *hundi* business?—Advances against Railway Receipts. They pay these advances in Mymensingh and collect money at Calcutta through the Provincial Bank.

1708. You consider that because some Central Banks are doing commercial banking they cannot pay proper attention to their constituent societies and at the same time you are also suggesting that Central Banks should take up Government Treasury work. Will this not detract their attention still more and tend to greater neglect of the primary societies?—I do not think the work would be complicated or the societies neglected.

Mr. N. K. Paul, Income-tax Officer, Mymensingh, called and examined.

The following is a summary of his evidence:—

1709. The number of loan offices or banks (other than Co-operative Credit Societies) in the district of Mymensingh is:

- (a) At the District head-quarters—6.
- (b) At the subdivision head-quarters—36.
- (c) At other places—120.

1710. The relative proportions of the different items of their working funds are—

- (a) Paid-up capital—5 to 8 per cent.
- (b) Reserve fund—10 to 12 per cent.
- (c) Short-term deposits—10 to 12 per cent.
- (d) Intermediate deposits—25 to 30 per cent.
- (e) Long-term deposits—50 per cent. or more.

1711. The rates of interest allowed on different classes of deposits are—

- (a) In current accounts—2 to 3 per cent.
- (b) Savings Bank—4 to 5 per cent.
- (c) For fixed deposits—5½ to 9 per cent.

Sometimes 12 per cent. is allowed for deposits for a long period.

1712. The longest period for which fixed deposits are accepted by such loan offices is usually 4 years, but in some cases deposits for 5 or 6 years or more are accepted, and these are termed special deposits. Owing to the stringency of the money market the newly started loan offices take deposits for short periods offering high rates of interest, which are also termed special deposits. Rates vary from Re. 1 to Re. 1-12, i.e., 12 to 27 per cent.

1713. Loans are granted by them for various purposes, e.g., trade, commerce, industry, agriculture, also for personal necessities and requirements and for liquidating old debts. Generally speaking, very little importance is attached to the question of period for which loans are allowed. No difference of interest is practically made for the different periods or purposes of loans. It practically depends on the nature of the security given.

1714. In cases where necessary, a stipulation for repayment is made but very seldom the repayment is made within the period. The condition of the debtor remaining unaffected, the banks and loan offices do not very much press for the repayment provided the interest is paid regularly and the question of limitation does not come in.

1715. Generally, the rate of interest depends upon the nature of security given. It varies from 12 to 37½ per cent.

1716. Compound interest is charged by the loan offices almost everywhere but the system is different in different localities. In cash credit account the interest is added to the principal every month. In some places the interest, if due for 6 months or, say for a year, is added to the principal and fresh bonds are taken. The most common practice is to levy interest at double the rate of contract if not paid according to stipulation.

1717. Interest for three months is deducted when the loan is advanced. This is generally done in cases of agricultural loans.

1718. The agriculturists get loans generally from loan offices and the Co-operative Societies and the money-lenders. Usually the agriculturist take loan at the time of sowing or reaping.

1719. They are advanced generally on mortgage of their agricultural lands and holdings and sometimes on securities of other persons mainly agriculturists. The rate of interest is generally high ranging from 3/2 to 6/4 per cent. per mensem. Those who are reputed to be big farmers get loan at somewhat lower rate.

1720. Other than the joint-stock banks, very few loan offices have taken to all the works done by banking institutions. Their works are mainly confined in securing deposits and lending at a higher rate. These loan offices do not discharge the functions of a bank. Sometimes the loan offices undertake different kinds of business, e.g., establishing press, stock rice, paddy, mustard seed, etc.

1721. These loan offices scarcely pay proper attention to building up a reserve fund. They do not keep to any proportion, but I think at least 25 per cent. of the net profit should go to build up the reserve fund.

1722. In the case of loan offices the reserve fund is generally utilised as working capital. In a very few cases, such fund is invested in Government securities.

1723. The dividends paid by them during the last five years varied from 20 to 100 per cent.

1724. In loan offices, accounts are generally kept in vernacular. The method of accounting is mercantile, cash as well as mixture of the two.

1725. I am strongly of opinion that a uniform system of keeping accounts and drawing up of balance sheets should be prescribed for all institutions.

1726. No case of actual bank failure has come to my notice but some loan offices are faring very badly in the teeth of competition and may come to failure at no distant date.

1727. The indigenous banks play a very important part in the country banking system. They are still the only means of banking assistance to a large number of persons. They accept deposits at a very low rate of interest or without interest, generally on condition of repayment on demand, i.e., they practically do the same kind of business as is done by banks in their current account.

1728. They lend money on pro-notes, *hundis*, mortgages, and on securities. The money-lenders generally utilise their own capital and advance money on hand-note, mortgage and securities, but do not do any other work done by a banker. The amount of capital employed by them is approximately Rs. 1,77,99,439 and the estimated interest thereon is Rs. 19,09,604. These expenses would amount to Rs. 1,67,374.

1729. Generally, the banking business is carried on jointly with trading of some sort. With the indigenous bankers the banking business has occupied the subordinate position.

1730. Indigenous bankers practically do not help agriculture at all. They help the traders mainly by issuing *hundis*, and pay-orders, discounting bills, advancing money, and so on. In industries, also they render some help as financiers only. The money-lenders are practically the only source of help to the agriculturist class. It is true that the money-lenders invest money at a very high rate of interest, but the risk they undertake in financing the agriculturist class, whose credit is very small, need also be considered. These money-lenders render a great service to the country in financing agriculture. The question of financing the agricultural population would have been still more difficult without the money-lenders.

1731. They lend money with or without securities. They issue *hundis* or pay-order on their different branches. *Hundis* or pay-orders are issued either payable at sight, called *darshani hundis*, or after sight, called *muddati hundis*. They advance money on pledge of jewellery. They advance money against goods, Railway Receipts, or Bills of Lading. Indigenous bankers generally advance money on 60 or 90 days after sight (*Muddati hundis*) at 9 to 12 per cent. per annum payable in advance. They also advance money on demand *hundis* at a discount of $\frac{1}{4}$ to $\frac{3}{8}$ per cent. or on hypothecation of goods to traders at 12 to 18 per cent. per annum. The interest runs from day to day. In the matter of *hundis* they differ from the money-lenders on the point that they always advance money for a stipulated period, which the money-lenders very seldom do.

1732. The indigenous bankers provide themselves with funds by utilising their own capital and by receiving deposits. Formerly,

they used to receive deposits without interest. Persons used to keep money with them for safe custody only. With the establishment of loan offices and joint-stock banks the system of receiving deposits with interest by the indigenous bankers has sprung up. They usually pay 3 to 6 per cent. per annum on account of interest.

1733. The money-lenders usually charge Rs. 3-2 to Rs. 6-4 per cent. per mensem for advances made to the agriculturists. Sometimes this limit is exceeded.

1734. The indigenous bankers practically make no advances to the agriculturist.

1735. Interest in kind is sometimes 100 per cent.

1736. The indigenous bankers do not deal exclusively with banking business. They generally run other businesses as well, e.g., cloth, miscellaneous goods, *aratdari*, etc., the same staff working for all these businesses. So it is rather difficult to say what net return they get from the banking business alone. But my impression is that after making allowance for the costs, etc., they earn 50 per cent. of the interest on which the loan was advanced. It would be 10 to 12 per cent. on the capital employed. In this connection please see my monograph about money-lenders (printed in Section II of this volume). I don't think the indigenous banks and bankers are able to meet all demands for accommodation.

1737. The amount of income-tax paid by indigenous bankers for banking business is smaller, but the tax paid by the money-lenders is larger than before.

1738. With the establishment of loan offices and co-operative banks the banking business of the indigenous bankers has dwindled to a great extent, which explains the change. Whereas in the case of money-lenders the increase in the amount of tax paid by them is mainly due to the fact that their accounts are now subjected to greater scrutiny than before. So they now find it difficult to escape proper assessment.

Mr. Sudhirendra Kishore Dutta Ray, M.A., B.L., F.R.E.S. (London), Secretary and Director of the Brahmanbaria Loan Company, etc., called and examined.

1739. **Dr. Sinha:** In your printed memorandum you prescribe a minimum subscribed capital of Rs. 50,000 for a banking concern. Do you mean paid-up capital?—Yes.

1740. In the same paragraph you recommend the dissolution of companies not having the prescribed capital. Don't you think it will create difficulties for some of the older companies?—In such cases 2 or 3 old companies should combine together.

1741. But the Indian Companies' Act makes a distinction of old and new companies?—I don't want any such distinction.

1742. In paragraph 3 you speak of fund. Do you mean the reserve fund?—I mean funds of all kinds.

1743. You would include funds for depreciation also?—Yes.

1744. What exactly are the securities which you want for the loan offices?—In our mufassal banks we do not keep funds in liquid form.

Whenever we get some money we invest it at once, but at the time of calls we do not get money and we have to borrow; we cannot check the temptation of a little interest. I think the mufassal banks should be compelled to invest their funds in such a way that they can easily get money without delay. I suggest investing in some safe and easily available security.

1745. Do you think that the course recommended in section 3 of your note is sufficient to enforce investment on those approved lines?—Yes, quite sufficient.

1746. In section 6, you recommend the limitation of deposit to a certain multiple of its capital. Do you mean the sum of the paid-up share capital and the reserve fund?—Yes.

1747. You say that usury is more practised by banking companies than by private mahajans; but our information is that the loan offices are a change for the better, because in loan offices you can't get falsification of accounts and things like that?—I don't agree. The private mahajan can remit any amount if he likes, but the loan offices cannot; even the Directors cannot remit anything. In connection with a loan office I myself gave a loan of Rs. 1,000 and have got a decree for Rs. 18,000.

1748. **Khan Bahadur Azizul Haque:** Is it your experience that the loan offices charge compound interest with 3 months' rest?—Yes, 3 and 6 months' rests.

1749. **Rai Bahadur S. Chose:** With how many loan offices are you connected?—About 10 to 12.

1750. **Dr. Sinha:** Why do you suggest the fixing of a maximum rate of interest for deposits?—I have recommended the fixing of a maximum rate of interest for deposits for this reason:—This year there is no money in our subdivision owing to the floods during the last monsoon and although the crops are good this year the cultivators are not getting any finance at all. The mushroom loan offices that have been formed all over the subdivision have been sending out their Directors who have been inducing people to deposit money with them at very attractive rates of interest, viz., 24 to 30 per cent. and with the money thus raised the loan offices are giving loans at the rate of interests varying from 48 to 75 per cent. In case of a failure of crops next year all these loans will be lost, the depositors will not get anything and the tenants themselves will also be ruined. On the contrary, if these mushroom companies were not in existence, the larger companies would have got all this money in the long run at the normal rate and could have financed the agriculturists at a much lower rate.

1751. So you advocate this maximum rate of interest only under the special circumstances?—No, I want it in normal times as well.

1752. Don't you think that amalgamation of loan offices is a better remedy than fixing of the rate of interest?—Certainly, to prevent unhealthy competition.

1753. **Rai Bahadur S. Chose:** Are not the loan offices giving immense relief to the agriculturists?—Yes, but my only complaint is against the new companies and their high rate of interest.

1754. Is there enough field both for co-operative societies and loan offices?—Yes.

1755. **Dr. Sinha:** In section 7 of your replies you suggest periodical audits. Will it not serve your purpose if it is legislated that there should be State audit on days not known to the loan offices?—Yes, that will serve my purpose, because the auditor being paid by us cannot say anything against our interest and if he does so he runs the risk of losing his appointment under the company. I therefore want surprise visit by an auditor appointed by Government.

1756. You state that the Directors are frequently irresponsible; should Directors' qualifications be raised?—Yes.

1757. What according to you should be the minimum qualification of a Director?—I can't suggest anything at present.

1758. You want that the Directors' liability may be unlimited?—Yes.

1759. Will it not keep well-to-do persons out of the directorate?—Not necessarily.

1760. Would you approve of limitation of dividends till the reserve fund equals the paid-up capital?—Yes, I certainly approve. I would go so far as not to declare any dividend till the reserve fund equals the paid-up capital.

1761. Have the loan offices got current accounts withdrawable by cheque?—No.

1762. What is the longest period for which deposits are accepted?—3 years.

1763. Is it a 3 years' fixed deposit or a deposit payable on 3 years' notice?—Repayable after 3 years' notice.

1764. Is the notice given at the time of deposit?—Generally.

1765. What proportion of the working capital is lent on mortgage and what proportion on personal security?—I can't give the exact proportion, but the amount lent on personal security is much larger than the amount lent on mortgage.

1766. What are the classes of people to whom the loan offices lend money?—Mainly to the traders and also to the cultivators.

1767. Who form the majority?—So far as the amount of loan is concerned, the largest amount goes to the traders, but so far as the number of debtors is concerned, the cultivators form the largest number.

1768. You are a Director of the Krishnapur Tea Company? Does your loan office finance tea companies?—Yes, we finance the Krishnapur Tea Company and another tea company.

1769. In lending money to the tea companies do you lend on the hypothecation of the annual crop or on mortgage?—To the Krishnapur Tea Company we have lent on hypothecation and to the other tea company we have lent on mortgage.

1770. Do you know of any other loan offices advancing money to tea gardens?—Some of the loan offices in Comilla advance money to tea planters. They also advance on hypothecation as well as on mortgage.

1771. Do the loan offices issue *hundis*?—No, but we give cheques on the Imperial Bank of India in Calcutta and the National Bank at Chittagong.

1772. The loan offices in Tippera—do they do *hundi* business?—There is one loan company at Comilla which deals in *hundi* business.

1733. Do the loan offices in your area grant loan against document of title such as a bill of lading?—No.

1774. **Khan Bahadur A. Haque:** You have told us that there should be maximum rate of interest fixed by legislation for deposit. Do you also advocate a maximum rate of interest for loans to cultivators?—Yes, I am in favour of it.

1775. Do you think that the amendment of the Bengal Tenancy Act has been to the advantage of the cultivators?—I don't think so. It has been to the advantage of the mahajans and not to the agriculturists.

DACCA.

THIRD DAY.

February 21st, 1930.

PRESENT:

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. J. C. SINHA.

RAI BAHADUR SASADHAR GHOSE.

KHAN BAHADUR MAULVI AZIZUL HAQUE.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. S. V. Ayyar, Lecturer in Economics, Dacca University, called and examined.

1776. **Dr. Sinha:** You complain in your memorandum that the Post Office Savings Bank takes a long time in transacting business. Will you be satisfied if such delinquent methods are stopped or do you want to give any further facilities regarding deposit?—As I have told, it is provokingly dilatory in its transactions. Steps should be taken to improve the present system of work. At the same time the rate of interest should be increased. The present rate is too poor to attract deposit.

1777. It has been represented to us that if the rate of interest is raised, it will prejudicially affect the interest of the indigenous bankers, co-operative societies and joint-stock banks. Don't you think so?—Yes, I quite agree with that, but what I mean to say is that a slight increase in the rate of interest is possible. It will be an agency of teaching thrift to the public.

1778. What should be the rate of interest?—4 per cent. on daily balance.

1779. Would you advocate daily withdrawal?—I think once a week is quite sufficient.

1780. **Chairman:** Even if a maximum is fixed that not more than a certain amount can be withdrawn daily?—I should be content with withdrawal once a week.

1781. Is it desirable that a depositor in a particular Savings Bank may be allowed to withdraw his money from another Savings Bank situated in the province?—Certainly I agree, if there is no administrative difficulty.

1782. It has also been suggested to us that the post office should receive cheques on local recognised banks and credit the same to savings bank?—I would agree to that so far as the known parties are concerned. Of course, credit should be given after realisation.

1783. With regard to the Savings Bank deposits would you advocate that the present limit of deposit should be raised?—I should put no limit at all.

1784. You advocate the reorganisation of the Cash Certificates so that they might carry a fixed rate of interest every year. Will it not mean changing the present character of the Cash Certificates?—Yes, it would be a fundamental change, but it would still be an advantage because many people do deposit the amount for obvious reason that it is payable at call. The deposits will carry 5 per cent. interest per annum if they are not withdrawn within five years but they will carry a somewhat lower rate of fixed interest every year.

1785. Then why should they not invest in the Postal Savings Bank?—In the Postal Savings Bank there is a temptation of withdrawal.

1786. You also say that the rate of interest on Cash Certificates may go up to 6 per cent. Would it not bring the State into unfair competition with the joint-stock banks and the loan offices?—It is true, but the rural and other banks have not yet come into competition. While I certainly think that the post office should not be a competitive organisation, we should encourage as far as possible the saving habits of the people. The Post Office Savings Bank is available in almost every village in India and it is more than a town organisation.

1787. Do you think that the benefits of postal insurance should be extended to the general public even in view of the fact that the average mortality of Government servants is lower than that of the public?—Although on principle I may approve of this scheme, the postal insurance is only for securing the interests of Government servants and therefore my deliberate opinion is that it should not be extended to the public.

1788. Do you think that there is a demand on the part of the public for postal insurance?—No.

1789. You advocate bi-lingual cheques. What would be the vernaculars for this province?—Bengali and English.

1790. Should the signatures on the cheques be in vernacular?—Yes.

1791. But it has been represented to us that it is very difficult to verify the signatures in Bengali, much more than in English?—I don't think there will be any such difficulty.

1792. With regard to the indebtedness of the agriculturists, you say that the mistake lies in trying to fight the so-called "demon" of the money-lender. Have you got any constructive suggestion as to how that can be done?—The best thing in my opinion is to make him a member of the co-operative society.

1793. **Chairman:** Don't you think that the Co-operative Department try to do that?—I think they are doing it in a wrong way. My idea is that it is essentially a poor man's organization.

1794. **Dr. Sinha:** But suppose the money-lender gets more in money-lending, why should he join the co-operative movement?—Make it worth while for him to join.

1795. **Khan Bahadur H. U. Ahmed:** Don't you think that the interests of the money-lender and the agriculturist are conflicting and that any attempt to bring them under the same institution will be attended with discord and disunion?—I don't think so. Although

labour and capital are quite distinct, we can't say that the capitalists are entirely opposed to the labourers.

1796. **Khan Bahadur A. Haque:** What do you think should be the fair rate of interest for mortgage?—18 per cent.

1797. Would you like to fix a maximum rate of interest?—Yes, 18 per cent. on secured loans.

1798. But it has been brought to our notice that some loan offices charge as high rate of interest as 150 per cent. on secured loans. Have you got any suggestion to offer as to how this can be checked?—I have consulted some who are in the know and I am informed that a rate of 150 per cent. is to be found occasionally, but that rates of interest are generally high and 50 per cent. is very generally found. I cannot help feeling that this is an extraordinary state of things. It indicates that there are people in the community who have no idea of what it is to take a loan and what it is to pay such high rates of interest. Either the securities are difficult to sell or there is organised vindictiveness in the loan companies. The remedy for this deplorable state of things must be found partly by legislation against usurious rates of interest and partly by intensive education of the community against such dealings. Of course, no remedy would be possible if people are willing to pay any such rate of interest.

1799. **Khan Bahadur A. Haque:** What do you mean by "irritating methods of control"?—By "irritating methods" I mean undue interference with internal management. The point is whether this should be a State organisation or a joint-stock association and what should be its relation to the co-operative societies. The only way we can work it efficiently is through co-operative societies. I want to refuse Government control as far as possible.

1800. You say, "the rules underlying the grant of loans to members in a co-operative bank are far too inelastic to be of sufficient attraction to the villager." Will you please explain this?—What I mean is that co-operative societies are a little more liberal and know what the needs of the agriculturists are. But they have a certain set purposes beyond which they cannot lend and which are taken to be mainly necessary according to their own standard. In fact the society decides what is necessary and what is unnecessary for the cultivator. This sometimes drives the agriculturists to other mahajans owing to undue scrutiny of the purposes of loans by the societies.

1801. What do you mean by societies working under serious limitation?—So far as co-operative credit societies are concerned, they do not appeal to the imagination of the people at all. So far as the facts of the matter go, if you look at the statistics of the amount of capital that they have been able to get from their members or deposits or shares you will find that they have been able to make very little progress.

Muhammad Saberaj Bhuiya, Secretary, Asrampur Co-operative Bank, Raipura police-station, and Shaik Muhammad Rajab Ali, Secretary, Barabaruipara Co-operative Bank, called and examined.

The following is a summary of the evidence given by them in vernacular:

1802. The Asrampur Co-operative Society was established in 1920. It is an A class society. In Raipura area many societies were estab-

lished by Mr. De, among them the Ramnagar society is doing very well and is now split up into 2 societies, each with about 100 members. The older societies are not so prosperous. Some of them are deteriorating because the more respectable classes have joined them and there is no homogeneity among the members. A new Central Bank has been created for the Raipura area. This has no doubt increased our facilities but still there are some inconveniences which I wish to explain :—

- (1) The new Central Bank is dependent for its finance on the Provincial Bank and has not been able to attract sufficient deposits, in consequence of which it has not been able to reduce the rate of interest.
- (2) Owing to the scantiness of its own fund the new Central Bank is pressing the societies very hard for punctual repayment of their dues and although the crops have not been so successful this year, the members of the rural societies are put into great distress by this pressure being put upon them. In some cases they are repaying by borrowing money from the mahajans at higher rates of interest or by selling cattle.
- (3) We would prefer our reserve fund to be invested in a safe place, from which we can withdraw it at will and also obtain some interest, like the Central Bank, but we are being forced to employ this fund in purchasing shares of the Jute Sale Society at Narayanganj.
- (4) The new Central Bank has got an official Chairman in the person of the Subdivisional Officer of Narayanganj. However well meaning he may be, it is difficult for the Directors to express their opinion candidly and fearlessly before him on account of his position and in consequence the Central Bank is being conducted practically according to his wishes. We would much prefer that there should be a non-official Chairman.
- (5) The multiplication of Central Banks which are now being established one in each thana is leading to want of co-ordination among them, e.g., our Central Bank has not been able to attract much deposit and its rate of interest is greater than that of the Dacca Central Bank, and consequently while the societies affiliated to the Dacca branch are obtaining their finance at low rate of interest we are paying high. In our opinion all the Central Banks throughout Bengal should be co-ordinated so that every rural society may obtain the same benefit from them as regards the rate of interest.
- (6) Formerly, we were quite happy under the Dacca Central Bank, but now against our wishes we are being forced to join the Raipura Central Bank which we know cannot serve us so well.

1803. I was a Director of the Dacca Central Bank. My experience as a Director leads me to think that the Central Bank can well deal with 500 rural societies and so long as there are sufficient resources there is no difficulty in administration. If the Central Bank gets well

established and obtains sufficient deposits to make it independent of the Provincial Bank, it becomes strong in position and can work independently of the department.

1804. When the Narayanganj Central Bank was first established the Raipura Societies were asked to join the Narayanganj Bank, but they refused and asked for the establishment of a Central Bank in Raipura area, so it may be said that the Raipura Central Bank was opened by the officers of the department with, it is said, the intention new Central Banks which are being established are probably being opened by the officers of the department with, it is said, the intention of weakening the Dacca Central Bank and making their influence permanent in the outlying areas, but I cannot say whether there is any truth in these allegations. I do not think that there is any truth in the allegations that the older Central Banks are objecting to the formation of new banks because thereby their influence over the outlying areas is being weakened. At least in the Dacca Central Bank there was not such idea when I was a Director. We have been able to secure in our rural society Rs. 250 as deposit from members, we have got no deposit from non-members. In my opinion the scantiness of our deposit is primarily due to the want of confidence of the village people in the stability of our society. They have much more faith in the stability of the Central Bank, but because of party factions in the village the men who have got any money to deposit are not coming forward to entrust us with their savings. We lend to members of our society on personal security and not on mortgage and for periods not exceeding 2 years. The members hardly ever default and we have never defaulted to the Central Bank. The highest loan given in our society is just over Rs. 400 to one individual, the other loans do not exceed Rs. 200. Some of our members are compelled to have recourse to the local mahajans because of the scantiness of our funds and also because of the maximum of Rs. 250 which any member is permitted to borrow, but these debts are generally of small extent and to my knowledge none of our members are indebted largely to the mahajans. The Dacca Central Bank considered a proposal of the Registrar to pay off all the outside debts of all the members of the rural societies by big loans repayable in 20 years on mortgage of all their lands, and, although the principle was approved, the Dacca Central Bank could not carry it into effect because of want of funds. I very strongly object to the proposal that the reserve fund of all rural societies should be diverted after liquidation to the General Development Fund or any other purpose than the improvement of the village in which the society is situated.

1805. The second witness Shaik Muhammad Rajab Ali agreed to all the remarks made by the first witness.

Mr. Prasanna Kumar Sen of Jagabandhu Poddar's firm, Dacca, called and examined.

The following is a summary of his evidence given in vernacular :

1806. The firm of Jagabandhu Poddar belongs to me and my brother. I have been managing the firm since 1306 B.S. when my father died. We do not take deposits on interest, but we have a strong room in which our customers are allowed to keep money on deposit for safe custody and sometimes they are allowed to overdraw. The

Imperial Bank does not discount *muddati hundis* accepted by us. They insist on the security of Government paper to make any advance. The Imperial Bank dishonoured our cheque for Rs. 80,000 as it exceeded the limit of our security by Re. 1-10. This incident took place three years ago. So far as I know, it is the settled policy of the Imperial Bank not to give any overdraft, even for a small amount, and therefore we did not make any complaint to the Agent of the Bank. The depression in trade is the chief cause which has caused the decline of the volume of our transactions. For short period investments we purchase Treasury Bills through the Imperial Bank whenever available. We do not experience any difficulty in making such purchases. The rate of interest has declined on account of the competition of other indigenous bankers. Before the War we used to charge a discount of 8 annas per cent. on *darsani hundis* because currency notes were scarce and we had often to send money in silver to Calcutta but now that the Imperial Bank has reduced the rate to 1½ anna per cent., we have also reduced our rate accordingly. We used to accept 6 months' and one year's fixed deposits at the rate of 6 per cent. per annum before 1306 B.S.; but on account of the failure of some indigenous banking firms, public confidence has been shaken and we also find it inconvenient to have such deposits. In our transactions with the Imperial Bank much delay occurs on account of paucity of its staff and the Bank often refuses to accept coins on the ground of want of time to examine them and we do not also get high denomination currency notes to the extent we require.

Mr. Aswini Mohan Ghose, Secretary of the Jamalpur Central Co-operative Bank and Chairman of the Madarganj Central Bank, called and examined.

1807. **Chairman:** Are there a large number of loan offices in the Jamalpur subdivision?—Yes.

1808. Do you know anything about the working of these loan offices?—Yes.

1809. Are you in the Directorate of any of them?—Yes, I am in the Directorate of 6 or 7 of them. With many others I am connected as a shareholder.

1810. These loan offices lend money principally to agriculturists?—Yes, on mortgage, simple bonds and hand-notes. Majority of the loans are given on simple bonds.

1811. They derive their funds chiefly from deposits?—Yes. Their share capital is very limited.

1812. These deposits are taken on condition that they would be repayable after a certain number of years after notice?—Yes, they are withdrawable after a certain period after notice is given.

1813. Is notice always given at the time of making deposits?—In almost all cases.

1814. When these deposits mature, are they re-invested?—Previously they were always re-invested.

1815. But now?—Since 2 or 3 years they are withdrawn as soon as they are matured.

1816. What is the reason?—This is because of the attraction of the newly-formed loan offices which pay a higher rate of interest.

1817. Do these loan offices when issuing loans make any enquiry in regard to the purpose of the loan?—They do not.

1818. Is it possible for one agriculturist to borrow money from several loan offices?—Yes, this is often done.

1819. Is the formation of these loan offices in such large numbers good for the country?—I do not think so.

1820. **Rai Bahadur S. Ghose:** Do you want to impose any limitations on them?—Yes, there must be some restrictions.

1821. **Chairman:** What restrictions should be adopted?—There should be some restriction at registration. No bank should be registered unless some sort of security is placed with Government.

1822. Would you have a minimum amount of paid-up capital?—Yes.

1823. What would be the minimum?—I think that no bank should be registered unless it has a minimum amount of paid-up share capital, say about Rs. 50,000 for Urban Banks and Rs. 25,000 for the rural banks. A fair amount of this share capital should be deposited with Government.

1824. Do you think there should be any ratio fixed between deposits that can be taken and the paid-up capital?—I think there should be a statutory maximum ratio fixed between the total of the capital and reserve and the total of the deposits, say 10 or 15 times.

1825. Do these loan offices put some part of the profit into the reserve?—They do it on paper only.

1826. Do you think there should be some statutory compulsion for creating a reserve?—Yes.

1827. Would it be a fixed part of the profit?—Yes, there should be a statutory minimum proportion of the gross profits which should be placed in the reserve funds, say about 20 per cent.

1828. How do you think this reserve should be invested?—This reserve should be separately invested in trust security or in a co-operative bank.

1829. Is it not desirable that the reserve should be made available as quickly as possible?—Yes.

1830. Is it necessary to restrict the dividend?—Yes, no dividend should exceed 12½ per cent. until the reserve equals the share capital.

1831. After the reserve is equal to the share capital, the dividend is to be unlimited?—Yes.

1832. Would you have any restriction on doing other kinds of business?—I would not recommend that banks should be restrained from doing any other kind of business or trade. One company, of which I am the Managing Director, had a motor business which has now failed and is now carrying on a printing business in addition to its main business which is giving of loans.

1833. Don't you think that the two should be separate?—Not necessarily. We are not feeling any difficulty.

1834. Do you suggest any other restriction on banks?—There should be a maximum rate of interest legally fixed for secured loans.

1835. Have you any idea as to the figure of the maximum?—Not more than 24 per cent. per annum.

1836. Should there be any restriction for charging compound interest?—Compound interest should be forbidden in case of secured loans.

1837. Any restriction regarding qualification of Directors?—There need not be any restriction on the qualifications of Directors except a minimum holding of shares.

1838. Should there be any limitation of fees that are paid to the directors?—Yes.

1839. How?—There should be a limitation of remuneration to the Directors according to the circumstances. The Secretary or Manager should always be paid and a whole-time officer.

1840. Have you any suggestion to make for the audit of these societies over and above that prescribed in the Indian Companies Act?—There should be much more careful and thorough audit of the accounts than is done at present by the certified auditors in accordance with the provisions of the Indian Companies Act. This audit should be conducted by Indian auditors, preferably auditors appointed by Government, and I would recommend this even if the fees for such audit be a great deal more than it is now.

1841. **Khan Bahadur A. Haque:** What has been the effect of the loan offices on the co-operative movement?—It has not very much affected the co-operative movement but the latter could have progressed further had there been no loan offices.

1842. **Chairman:** Why have you not formed more co-operative societies?—For want of funds.

1843. Is it because of the deposit being attracted by the loan offices?—Yes.

1844. On principle would you object to the Director of Co-operative Bank being concerned with floating of loan offices?—I do not object, as there is absolutely no connection.

1845. Do you think that unlimited liability has stood in the way of co-operative movement in any way?—Not so much. As a matter of practice it is not enforced.

1846. Do you think that many central banks in a subdivision should be consolidated into one central bank?—Yes.

1847. Would it be possible for the Jamalpur Co-operative Bank to take up the Sub-treasury work there?—Yes, with much more efficiency.

1848. Is there any unfair competition between one central bank and another?—I have not received any such report.

1849. Have you any experience of Jute Sale Societies?—Yes.

1850. What is your experience about their working?—The original object was to get jute from members of co-operative societies and sell them at good market price. At present we are doing the work like ordinary merchants.

1851. Do you hope to work out this scheme successfully and how many years will it take to do so?—There should be a change of procedure. Almost all the members of the co-operative societies are jute growers. There are big bazars and there ought to be small sale

societies in a bazar near the societies and there should be a small godown.

1852. Will you let us know what are the general reasons why co-operative societies deteriorate in their efficiency after a lapse of years?—The cause is the dishonesty of 2 or 3 prominent members of the Society.

1853. What suggestion have you to offer with a view to give us an idea as to how the Central Bank might exercise greater and more vigilant control over the panchayats?—Central Banks should be given statutory power to punish summarily the dishonest members.

1854. **Rai Bahadur S. Chose:** Don't you think that would be interfering with the internal management of the primary societies?—No.

1855. Is there any undue interference with the activities of the Central Bank from the department?—No.

1856. What is the total number of loan offices in Jamalpur?—182.

1857. Do they charge usurious rates of interest?—Generally.

1858. What is the number of good loan offices?—Below half a dozen.

1859. Is the present audit in these loan offices satisfactory?—No.

1860. Why?—They do not devote sufficient amount of time, they do not go through all the books, they lack in efficiency and they lack in the requisite knowledge of audit.

1861. **Khan Bahadur H. U. Ahmed:** You say that Central Banks cannot advance loans to individual members. Don't you think that it would be advantageous to allow loans to the depositors?—Yes, that will attract more deposits.

1862. As regards reserves of societies, what is being done?—They are generally invested in the Central Bank.

1863. At what rate of interest?—At 4 per cent. per annum and the Central Bank invests it in the Imperial Bank at 4½ per cent. or in Government securities.

1864. How much has been collected from the Reserve of the rural societies for the share in the Jute Sale and Supply Society?—Approximately Rs. 10,000 to Rs. 15,000.

1865. Who realised it?—Inspector of Co-operative Societies.

1866. **Rai Bahadur S. Chose:** You have a great scarcity of money in your subdivision this year?—Yes, it will be correct to say that I am getting no money.

1867. Don't you agree that the rate of interest is dependent on the money available?—Yes. But in our subdivision money has been scarce owing to the floating of too many loan offices.

1868. For how many years have you been connected with the co-operative movement?—10 years.

1869. In these 10 years how many rural societies have been free from all its debts to the Central Bank?—Only one out of 215.

1870. **Khan Bahadur A. Haque:** Has the amended Bengal Tenancy Act increased or decreased the credit of the agriculturists?—It has decreased the credit of the agriculturists because buyers include that 20 per cent. in the price and the buyers also fear that there will be pre-emption operation against them.

DACCA.

FOURTH DAY.

February 22nd, 1930.

PRESENT :

Mr. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*)

RAI BAHADUR SASADHAR GHOSE.

DR. J. C. SINHA.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

Mr. J. C. CHAUDHURY (*Secretary*).

**Mr. Jnana Ranjan Ghose, Assistant Secretary, Industrial Union
Dacca, called and examined.**

1871. **Chairman:** Is the Industrial Union a Central Bank?—Yes. Ours is a federation of primary societies. We have got two kinds of members, preference and ordinary. It is a mixed type union. Preference members are not members of any Primary Industrial Society. Ordinary members are of primary societies.

1872. How do you raise your capital?—We raise capital by shares and also by deposits from outside as well as by taking loans from the Provincial Bank.

1873. You don't get any loan from the Central Bank here?—No.

1874. With the funds thus raised you finance the primary societies?—Yes. We have got 52 societies, of which 8 are Conch-shell Societies and 44 are Weavers' Societies.

1875. Are these primary societies organised on the basis of unlimited liability?—Weavers' societies are of unlimited liability, but the conch-shell societies are on limited liability basis.

1876. What is the total amount of finance that you give them?—We have given the weavers' societies altogether over Rs. 60,000, but the conch-shell societies are given conch-shells generally on payment of cash and sometimes on credit. We do not give them any loan.

1877. How do you get your supply of conch-shells?—We purchase the conch-shells from Tuticorin and Madras and supply them to the conch-shell societies.

1878. So, in regard to conch-shell societies you are really a supply society?—Yes, and not a credit society. Formerly, middlemen used to perform the part which we are now performing.

1879. Do you take any part in disposing of the produce?—Not of shell produces but we generally assist in disposing of the yarn goods.

1880. You don't supply the yarn?—Yes, we have got two centres at Gopaldi and Madhabdi for distributing the yarn. In addition we

give them facilities for sale. We also purchase some finished products for sale at Dacca and Calcutta.

1881. Have you got a warehouse for that purpose?—No, we store them in our office at present. But we are going to construct a building here very soon for the purpose.

1882. **Khan Bahadur A. Haque:** Do you make any profit when you sell the conch-shells to the members?—Yes, for our office establishment and margin we make some profit, not more than 20 per cent. including the costs of freight.

1883. After meeting the freight charges what profit you make?—10 per cent. Formerly middlemen used to make a profit of 100 to 200 per cent.

1884. What profit do you make in purchasing and selling the finished products of the weavers?—We make no profit on that.

1885. How do you give these loans?—It is the Chairman and the Secretary who sign for the society, and the society distributes it only to members.

1886. Has any improved machinery been introduced?—Recently conch-shell cutting machines have been introduced. We purchased only one machine costing about Rs. 1,000. This machine is not very popular owing to the reason that in cutting conch-shells although time is saved, we lose one ring.

1887. Why is that?—Because the circular saw that is used is somewhat thicker than the semi-circular hand-saw. Also the hand-saw can be manipulated as the sawyer likes, but the machine is not easily adjustable.

1888. Do you expect that the machine will be popular?—We have made many suggestions for its improvement and at least three or four times the saw has been changed and on one occasion a new saw was brought from Sheffield.

1889. **Chairman:** Was this machine supplied to you by the Department of Industries?—Yes, by Mr. S. C. Mitter who is responsible for the machine.

1890. What are the particular things that the weavers manufacture?—They manufacture *gamchha* (towels), *lungis* and at present also a kind of wrapper which generally goes by the name *khaddar chaddar*.

1891. You don't manufacture *dhutis* or *saris*?—Yes, we also manufacture very fine *saris* which can compete with Dacca muslin.

1892. Have you got a ready market for them?—Yes, these things have got a very easy market.

1893. Has the working of this industrial union improved the condition of the weavers?—I think so. I visited some rural areas this year and in the previous year too and on personal enquiry I learnt that the prevailing rate of interest is 2 to 4 per cent. per month, whereas our rate is very favourable; 12½ per cent. is the maximum rate of interest that we can impose.

1894. And the primary societies charge how much?—From 13 to 16 per cent.; 18 per cent. is the maximum that they can impose.

1895. Will the weaver have a greater margin of profit now if he joins a society?—Yes, we think so because our rate of interest is very favourable.

1896. Where do they sell the finished products?—In the local *hats* and they also sell some products to us for distribution at Dacca and Calcutta. We are not bound to accept the finished products, but we do so to give them facilities.

1897. **Rai Bahadur S. Chose:** If Calcutta does not fetch a very high price?—Then we become losers.

1898. **Khan Bahadur H. U. Ahmed:** What is the jurisdiction of your operation?—Dacca district.

1899. Is there any weavers' society in the town?—No.

1900. There is another industry called "*Koshida*." Have you encouraged it?—These are done by ladies, both Hindus and Muhammadans, and we are going to organise a women's society and we have invited Miss Lila Nag and Mrs. Bose to assist us.

1901. How is that industry now financed?—Mahajans supply cotton cloths to be embroidered, with prints on them and they supply the *matka* silk yarn and the women are paid at certain rates and the articles are taken away by the mahajans.

1902. Are they sold locally?—So far as I know they are sold at a considerable distance from this place, in Afghanistan and Persia.

1903. Is there a button factory here?—No, this work is carried on by individuals themselves. Some button factories came into existence during the time of the Swadeshi movement, but they have ceased to exist. The horn button industry is carried on financed by mahajans. It got some impetus at the time of the War, but is now vanishing.

1904. Do some of the factories still exist?—They might, but I do not know.

1905. Is the soap factory still in existence?—Practically it has ceased to exist, but small enterprises have grown instead. Crude form of washing soap has been in existence for a long time. It is very well known and is very popular.

1906. Is there any factory for that?—No, it is manufactured by private enterprise.

1907. How is the industry of this manufacture financed?—It is financed by the mahajans.

1908. Did you make any attempt to form a society for these manufacturers?—No.

1909. Is there any society for the earthenwares prepared here?—Yes, we have got one society of potters under our Union.

1910. How is it doing?—Not working well.

1911. What articles do they produce?—Tumblers and *kunjas* (jugs).

1912. Formerly these potters used to make a sort of *patil* (pan) for boiling milk?—Yes, they are still available.

1913. Have they improved it?—I do not find any improvement, but they are still available.

1914. How many members have you got in the Potters' Society?—It is a society of 15 members.

1915. There are two glass factories?—Yes.

1916. How are they financed?—They are owned by private individuals. I do not keep any information as we do the work of the Union in our off-time.

1917. You have got paid officers?—Only the ministerial staff.

1918. You said that you do not get loans from the Central Co-operative Bank. Did you approach it?—Only on one occasion we approached, but we found that we had to go through certain preliminaries that would take much time.

1919. Do you think it will improve matters if the Registrar gives a general permission to the Central Bank to advance you money?—Yes, but our ideal is to be self-sufficient.

1920. **Rai Bahadur S. Chose:** Don't you think that if bags are prepared of jute, they will find a good market?—We took up making of jute bags, but that did not prove successful for want of expert knowledge. The attempt has not been given up yet and we expect to compete with the millers.

1921. **Dr. Sinha:** Did you make the jute yarn yourselves?—No, that was purchased from Calcutta.

1922. **Khan Bahadur H. U. Ahmed:** Do you think that jute bags may be used in exporting betel-nuts?—Yes.

1923. Is jute weaving to be a subsidiary occupation to the cultivators?—Yes.

Minutes of Evidence taken before the Provincial Banking Enquiry Committee, Bengal.

CALCUTTA.

March 11th, 1930.

PRESENT:

MR. K. C. DE, C.I.E., L.C.S. (retired) (*Chairman*).

RAI BAHADUR SASADHAR GHOSE.

RAI BAHADUR BADRIDAS GOENKA, C.I.E., M.L.C.

DR. J. C. SINHA.

DR. N. N. LAW.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

MR. J. C. CHAUDHURI (*Secretary*).

Mr. Jadunath Roy of the Indian Central Banking Enquiry Committee also attended.

Mr. P. Hoerder, President, Baled Jute Shippers' Association (2, Clive Street), Calcutta, called and examined.

1924. **Rai Bahadur Badridas Coenka:** The Indian Chamber of Commerce in their written memorandum said, "The establishment of a Futures Market in Calcutta for dealing in jute on the lines of the New York Cotton Exchange and the East India Cotton Association of Bombay will confer a great benefit on the jute cultivators. The establishment of such markets ensures greater facilities to buyers and sellers of jute. They make it impossible for any one section of the trade to combine. Before the establishment of the New York Cotton Exchange, Liverpool used to control the price of cotton which is not so now. The very fact that the London Jute Association and the European interests in Calcutta are decidedly opposed to the establishment of such a market goes to prove that it is in the interest of the cultivators to have such a market." What are your views on this question?—I don't know whether I am quite right being here officially as President of the Jute Shippers' Association, I have not had time to consult any member of the Committee and any views I will convey will necessarily be personal although I am very certain that the Shippers' Association is not in favour of any Futures Market.

1925. Can you tell us if the Calcutta East India Jute Association is run on the lines of a Futures Market?—I have not sufficient knowledge of the East India Jute Association to pass any opinion except that I am definitely against any Futures Market in Jute.

1926. **Dr. Sinha:** Are you opposed to genuine Futures Market or *Fatka market*?—My own experience is that I would prefer to do my business without any Futures Market. But I have no experience of

a genuine Futures Market. I do not think I should have any objection to genuine Futures Market if it does good to my business.

1927. **Rai Bahadur Badridas Goenka:** East India Jute Association have started selling September delivery from now. Do you think that is beneficial either to the trader or to the cultivator?—I think that is simply a speculation.

Mr. K. C. Mullick and Captain N. M. Rai Chaudhury, members, and Mr. H. P. Ghose and Mr. J. M. Sen Gupta, Assistant Secretaries of the Bengal National Chamber of Commerce, were called and examined.

1928. **Dr. Sinha:** In your reply to Question 1 of Part I you say that co-operative societies advance loans to agriculturists against hypothecation of crops. Will you kindly tell us where such loans are given?—(*Mr. Sen Gupta*) We do not remember it exactly just now; but this appeared from the evidence given before the Royal Agricultural Commission.

1929. **Chairman:** We are told that this is not done in Bengal?—Here it is not common. But there is a mention of it in the 4th volume of the Royal Commission.

1930. **Dr. Sinha:** In the same paragraph you refer to the big indigenous banking houses which have refrained from dealing with petty cultivators. Will you kindly give us the names of some of them and explain why they have refrained from dealing with these cultivators?—I cannot give the names, but they have refrained from giving loans because they cannot get good and satisfactory securities for the loans.

1931. You advocate reduction of the stamp duty in the case of Usance Bills or Muddati Hundis. What reduction you propose?—(*Mr. Mullick*) We think Government should make a nominal charge of 1 pice per cent.

1932. Do you think that it will lead to any loss of revenue?—It would, but the loss will be negligible. With the increase of business it will be amply compensated.

1933. For what classes of people do you advocate establishment of land mortgage banks, for landlords, talukdars or actual cultivators?—(*Mr. Mullick*) For all these classes. (*Mr. Sen Gupta*) We propose two separate kinds of banks to be established for two different classes of people—one specially for landlords and big tenure holders and another for the general body of cultivators. Banks specially for the former class should be on the joint-stock basis, as in the United States of America and Italy, and banks of the latter class will be on the co-operative basis.

1934. With regard to the first class of banks will not the loan offices be able to take up this work?—The loan offices get short term deposits. They cannot give loans for 10 or 15 years.

1935. Do you think that there will be large demand of loans from the landlords and talukdars?—Yes, there will be a good demand.

1936. Lack of financial assistance is the chief factor standing in the way of land improvements in the case of talukdars and landlords?—At least to some extent no doubt.

1937. With regard to the co-operative land mortgage banks, what would be the relation between them and the existing Co-operative

Central Banks and Rural Societies?—The existing co-operative organisations, namely the Provincial Bank and the Central Banks may form separate departments of their own for the purpose of land mortgage banks, but the rural societies should not be burdened with this duty. The land mortgage work of the Provincial Bank and the Central Banks should be kept entirely separate from the work and the fund of their existing activities.

1938. In reply to Question 6A in Part I you say, joint-stock banks do not grant any accommodation against the block of any industrial establishments. Then you refer to some industries. Do you mean tea gardens, cotton mills and jute mills take loans against block or their fluctuating capital or both?—(Mr. Chowdhury) They get for block also.

1939. What class of banks grant such loans?—These organised industries get loans against block as well as against floating capital from joint stock banks in Calcutta and mufassal.

1940. Exchange Banks do not do this business?—(Mr. Mullick) It depends on the personal credit of the borrower.

1941. **Rai Bahadur Sasadhar Chose:** In reply to Question 7A (ii) you say that the sub-clauses of section 32 of the Co-operative Act permit the investment of funds of co-operative societies among others in any of the securities specified in section 20 of the Indian Trusts Act, 1882, and with any bank or person carrying on the business of banking. You mean other than co-operative also?—Yes.

1942. In reply to Question 6 you say, "The loan offices in Bengal hardly grant any loans to actual cultivators". Have you got any experience of the districts of Mymensingh and Bogra?—(Mr. Chowdhury) I have got experience of Rangpur.

1943. **Chairman:** In Rangpur, too, they give loans to agriculturists?—Some small banks do so, but not the big ones.

1944. **Rai Bahadur Sasadhar Chose:** In reply to Question 8 you say "It can be seriously doubted whether in the event of any bank coming to grief for want of liquid funds it would be able to weather the squall". Have you got any specific instance in its support?—No, we have none.

1945. **Dr. Sinha:** It has been suggested to us that a minimum paid-up capital should be prescribed for loan offices. Do you think that such a legislation would be advisable?—(Mr. Chowdhury) It would be desirable.

1946. Why?—Because in new business they have got no reserve and in case of withdrawal they cannot find money.

1947. Would you apply it to the existing institutions?—No, to the new institutions only.

1948. What minimum paid-up capital would you propose?—It is very difficult to suggest what should be the minimum paid-up capital, but we accept the principle.

1949. You have just now told us that the deposits in some of these new loan offices are out of proportion to their paid-up capital. Do you want that there should be a definite ratio between the paid-up capital and deposits?—It is desirable to have a maximum ratio between paid-up capital plus reserve fund and deposit.

1950. Have you any suggestion to make with regard to the investment of the reserve fund of the loan offices?—It should be separately invested in Trust Securities only and not in other marketable securities.

1951. **Chairman:** In addition to that do you want that there should be a statutory minimum cash reserve?—(*Mr. Mullick*) No, provided the liquid assets are not at any time less than 10 per cent. of the deposits.

1952. **Dr. Sinha:** Would you advocate limitation of dividend of the loan offices till the reserve fund reaches this limit?—(*Mr. Chowdhury*) Yes, there should be a limitation. Dividend exceeding 6 per cent. should not be allowed unless you build up a reserve of 10 per cent.

1953. With regard to audit and inspection, would you advocate inspection of loan offices by auditors appointed by Government?—(*Mr. Mullick*) Yes.

1954. **Rai Bahadur Sasadhar Ghose:** Whom do you prefer, Government auditor or a properly trained auditor but not appointed by Government?—We want Government inspection and audit in case of complaint and that the accounts should be audited by recognised certified auditors.

1955. **Dr. Sinha:** Do you want surprise audits?—Yes, that would be a better idea.

1956. It has been suggested to us that there should be maximum legal rate of interest for secured and unsecured loans. Do you approve of this suggestion?—Yes, we do.

1957. **Chairman:** Do you want enactment both for secured and unsecured loans?—There should be difference between secured and unsecured loans. For unsecured loans they should have some compensation.

1958. Do you think that maximum should be fixed by law?—Yes, we want maximum legal rate of interest on unsecured loans also.

1959. **Dr. Sinha:** Would it apply for the whole of Bengal?—There should be a uniform rate for the whole of Bengal. We cannot give any definite idea as to what should be the maximum limit, but we simply suggest that a certain limit should be fixed.

1960. It has been suggested to us that if the maximum rate thus fixed is too low, the borrowers will have two alternatives, either to get no loan at all or to go to dishonest money-lenders. Do you apprehend any such difficulty?—(*Mr. Mullick*) That is why we are proposing that a legal maximum rate should be fixed with particular reference to the circumstances affecting the question of demand and supply. The maximum should be so fixed that it may not induce money-lender to take to fraud. (*Mr. Sen Gupta*) All that we want is that the Usurious Loans Act should be made more effective.

1961. With regard to the law of *damdupat* do you want it to apply to the whole province of Bengal?—(*Mr. Mullick*) Yes, it ought to.

1962. It has been suggested to us that it would mean the execution of a fresh bond as soon as the principal is doubled?—It may be, but certain persons will be able to get the benefits.

1963. **Khan Bahadur Azizul Haque:** I take it that the point of view from which you are looking at this is that somewhere the average should be struck?—Yes.

1964. It has been suggested to us that the Usurious Loans Act has not been effective owing to the absence of any standard rate of interest and so the Courts do not know what is the reasonable rate of interest. Do you agree?—If that is the finding of the Courts, the administrative officers of Government, we think it should be for the interest of our country to have some maximum fixed by law.

1965. It has been suggested to us that the period of limitation in case of compound interest should be reduced. Are you in favour of it?—That will lead to some complication. We are not prepared to recommend that. We would rather want that the parties stick to their own contract except in cases of extreme hardship.

1966. What should be the reasonable rate of interest that should be charged from the people?—12½ per cent. may be reasonable in Calcutta, but may not be reasonable in mufassal.

1967. For a bank what do you think to be a reasonable rate of interest for loans?—(Mr. Mullick) There must be a reasonable margin between its borrowing rate and lending rate, something between 3 per cent. to 6 per cent. The rate will depend upon the money market.

1968. Would it surprise you to know that it has been represented to us that usury is practised by loan offices to a much larger extent than people ordinarily suppose?—(Mr. Ghose) We would not be surprised.

1969. **Rai Bahadur Sasadhar Ghose:** Do you think that the rate of interest is dependent upon the profits that can be made from other business?—That depends on the nature of business that the capitalist is fortunate enough to procure.

1970. **Dr. Sinha:** In reply to Question 2 Part III—"Investment habit and attraction of capital" you say "the restrictions that are imposed at present on the Savings Bank such as those relating to withdrawal only once in the week and to the maximum amount of deposit should be removed". Do you want any maximum limit for the Savings Bank?—(Mr. Sen Gupta) We want to raise the limit, say, to Rs. 10,000 as also the yearly limit.

1971. You want that the rate of interest on such deposits should be raised nearer the market rate?—Yes.

1972. But in the next paragraph you say that these Government banks are already competing with Primary Societies?—That is why we have suggested nearer the market rate. We mean below the market rate.

1973. Do you want that the benefits of the Postal Insurance Scheme should be extended to the general public?—We do not think it should be extended to the public.

1974. **Rai Bahadur Badridas Coenka:** In your written memorandum you say, "The discount facilities hitherto obtained by indigenous bankers have been considered adequate for meeting their requirements". Will you be surprised that the discounting business done by the Imperial Bank at present is not even a quarter of that done before the War?—(Mr. Mullick) We know that. We are not prepared

to say that they have given up the business altogether. There are certain factors which have compelled the Imperial Bank to curtail this business. It has probably come to one-third of their former business.

1975. With regard to the Bengal Wholesale Society, Ltd., you say, "Under these circumstances a system of co-operative marketing, if introduced and judiciously applied, may go far towards ameliorating the disadvantageous position of the raiyat in marketing his produce". Can you give us details of the working of the society?—*(Mr. Sen Gupta)* Nothing beyond the Departmental report.

1976. You have suggested the establishment of licensed warehouses at different places. We realise that it would be a great help. But don't you think that it would be very expensive and difficult to put up warehouses at different centres of the interior?—Yes, in the interior it would be difficult. Perishable goods, e.g., cotton goods, etc., may be stored conveniently at a place safe from damage, damp and other atmospheric privations. For goods chargeable to duty the party should not have to pay duty unless he has actually sold the goods and given delivery of it. This is possible only if license be obtained from Government.

1977. **Dr. Law:** What is the charge for keeping goods in the Bonded Warehouses in Calcutta?—Metal is charged by the ton. Piece-goods are charged by cubic feet ranging from $\frac{1}{2}$ anna to 1 anna per month.

1978. **Rai Bahadur Badridas Coenka:** Would it not be very expensive to set up warehouses of the class you have suggested excepting perhaps at very central places?—*(Mr. Sen Gupta)* These warehouses are designed to fetch higher price to those who would store their goods there. In storing they would have to pay certain fees. It would enable them to hold up their goods for a higher price. The middlemen would be to a certain extent eliminated.

1979. **Dr. Law:** In your reply to Question 2 (xviii), Part I, you have referred to certain Inland Steam Navigation Companies which felt difficulty on account of the fact that their goods are insured in Indian companies and they did not get financial accommodation for their goods from the mills. Will you please tell me which Steam Navigation Companies you have in view?—Bengal Steam Navigation Co., Bengal Mahajan Flotilla Co., Bengal Steam Ship Co.

1980. You state that the difficulty as regards the insurance of goods carried by steamers of the same companies is now over?—Yes it is a fact.

1981. Has it recurred during recent years?—No.

1982. As regards mills refusing to advance money on bills of lading of Indian companies, is it continuing?—Yes, still now.

1983. You recommend establishment of sale societies in large numbers. Will they purchase the commodities outright from cultivators or advance a certain percentage of the value of the commodities against those commodities stored in the societies?—We do not want these societies to be set up as another type of middlemen. Proprietorship of these societies should be vested in the sellers themselves and the profit should also go to the sellers. The society should pay them

in two instalments, they should pay an advance first and then when the goods are finally disposed of, they would pay the balance.

1984. Regarding the unfair treatment to the Indian Steam Ship Companies, are there any parties who are willing to send their goods by Indian Shipping Companies but are prevented from doing so?—Birla Brothers wanted to have their goods carried by these steamers. There are some ports where there are no Indian Steam Ship Companies and in those ports the foreign companies will not accept any goods offered by the Birla Brothers.

1985. Do you think that the existence of the licensed warehouses in mufassal would facilitate the process of buying of the cultivators' produce much more than by the warehouses that exist now?—Certainly, these societies making advances to the cultivators must have a liquid cash; for that they will be able to get temporary advance from other banks.

1986. So far as marketing of goods are concerned don't you think the establishment of licensed warehouses will facilitate matters?—The sale societies will, like other middlemen or actual cultivators, take advantage of the warehouses. Not that they should act as warehouses themselves because the licensed warehouses would be the custodians of the goods but these societies will act as selling agents of the cultivators. Goods will be stored in the licensed warehouses or in their own warehouses, if they start one and find it more remunerative.

1987. If the licensed warehouses are to do the work on an extensive scale, it will require an enormous amount of money. Where will they get it?—To some extent they will get from their own capital, but from time to time they will have to depend on outside help.

1988. Do you think it would be necessary that Government should guarantee a minimum return of capital of the joint-stock companies opening licensed warehouses in certain parts of the country?—(*Mr. Sen Gupta*) We don't think Government can take any financial risk. Government may introduce audit free of cost, or give other indirect assistance.

1989. What sort of supervision should be exercised by Government over the operations of the licensed warehouse?—Government will have to maintain a special staff to see that they conform to the standard of safety and things like that.

1990. Do you think it necessary that gradings of paddy and jute should be made by the staff of the licensed warehouses and scrips should be issued according to such gradings so that they may be used for advance by banks?—Certainly, experts in grading and valuing should be attached to those warehouses and scrips should be issued giving the approximate value of the goods.

1991. In reply to Question 6A, Part I, you say, "The small industries which are neither supplemental to nor connected with agriculture are mostly owned by individual proprietors." Do they feel any difficulty in getting financial accommodation from the banks?—(*Mr. Mullick*) The Imperial Bank does help them to a certain extent provided they are satisfied with their resources. As regards the exchange banks we have not heard that they have given any help to these industries.

1992. Do the Indian joint-stock banks help them?—(Mr. Chowdhury) They help some of them, but there are difficulties such as dearth of funds.

1993. **Chairman:** What remedy do you suggest?—There should be some industrial banks with large funds.

1994. **Dr. Sinha:** Also for small industries?—Yes.

1995. **Rai Bahadur Sasadhar Chose:** Do you think that State should guarantee them?—Yes.

1996. **Chairman:** Can you give us any idea about the nature and working of these industrial banks?—We have not considered the matter. Regarding the capital of these industrial banks they cannot be successful unless Government gives some financial help either by issuing debentures or by way of guaranteeing minimum dividend, as they do in the railways.

1997. How will they work?—Regarding industrial banks we think we have suggested some scheme proposed by Mr. Sarkar in his State-aid to Industries Bill. For middle class industries we recommend the scheme proposed by Industrial Commission.

1998. **Dr. Law:** How do they meet their financial needs at present?—From private bankers.

1999. At a high rate of interest?—Yes.

2000. In connection with questions put to you regarding loan offices you said that there should be a reserve fund. How is it to be built up, whether from appropriation of the profits or from deposits as well?—Reserve should always be built only from profits until the reserve has come to 10 per cent. of the deposit. A portion of the deposit should also be kept apart as a liquid asset, not as a reserve.

2001. You said just now that there should be restriction as to the payment of dividend so long as the reserve fund does not reach a certain limit. Do you want to make it applicable to the existing loan offices also?—I think in the interest of the country it should be applicable to the existing loan offices as well.

2002. It has been suggested that there should be a representative of the depositors on the Board of Directors of the Loan Offices. Do you approve of that?—I think there should be at least one Director from the depositors.

2003. How will he be elected or nominated?—We have not considered the matter.

2004. Can you suggest any means by which loan offices can be induced to direct their activities more towards commercial banking leaving a portion of the land mortgage business?—That is very difficult to answer.

2005. In your memorandum you have said that the total amount of deposit is about 25 crores in the loan offices and on an average you have credited each loan office with a deposit of 3 lakhs. Don't you think that this figure is too high considering the fact that there are so many loan offices that are small sized?—We do not insist on the correctness of our figures. In the case of 69 loan offices described in an article in our journal the total deposit is about 4 crores and 35

lakhs of rupees. By dividing this by 69 we arrive at Rs. 6,26,748. Multiplying this by 800 we get about 50 crores. We have made our estimate by dividing it by two.

2006. **Khan Bahadur Azizul Haque:** In your memorandum you say that very few agriculturists have come forward to take advantage of the provisions of the Land Improvement Loans Act. Is it not because the amount at the disposal of the Collector is very small and not sufficient?—This is because of the want of publicity and also for the smallness of the amount that is granted by Government.

2007. Do you think the recent amendment of the Bengal Tenancy Act is acting as a deterrent in giving credit facilities to the agriculturists?—The Bengal Tenancy Act has retarded the land transfers by sale.

2008. You have referred to two cases where agricultural indebtedness has been ascertained. Are you in favour of a comprehensive survey of the indebtedness in Bengal?—Yes, it should be done as early as possible.

2009. In reply to Question 6, you say, "Other industries, such as husking of rice, poultry-keeping and raising of garden produce, are mostly pursued with the primary object of providing for home consumption by the cultivators almost everywhere." Are you aware that the introduction of rice mills are replacing the rice-husking business to a very large extent?—Yes.

2010. You say in your memorandum that co-operative financing is inelastic. Are you in favour of introducing cash credit system given to a society as also to a member?—Yes, we are in favour of introducing that.

2011. To what would you give preference, free credit at enormously high interest or small interest with low credit?—I would prefer small interest with low credit.

2012. You think that for co-ordination of different banking institutions and bankers, money-lenders must have a uniform method of accounts and you are also in favour of some measure following the principle of the Punjab Regulation of Accounts Bill?—Yes.

2013. **Dr. Sinha:** By money-lenders do you mean private money-lenders or professional money-lenders?—We mean professional money-lenders.

CALCUTTA.

March 13th, 1930.

PRESENT :

MR. K. C. DE, C.I.E., I.C.S. (retired) (*Chairman*).

DR. N. N. LAW.

DR. J. C. SINHA.

RAI BAHADUR BADRIDAS GOENKA, C.I.E., M.L.C.

KHAN BAHADUR MAULVI AZIZUL HAQUE, M.L.C.

KHAN BAHADUR MAULVI HEMAYATUDDIN AHMED.

MR. J. C. CHAUDHURI (*Secretary*).**Mr. J. T. Donovan, I.C.S., Collector, Bakarganj, called and examined.**

2014. **Chairman:** For how many years have you been in the service?—About 20 years.

2015. Of this, for how many years have you been in the mufassal and also worked as Registrar of Co-operative Societies?—I worked in the mufassal for about ten or eleven years as Subdivisional and District Officer, in Settlement and as Registrar of Co-operative Societies for five years.

2016. **Dr. Sinha:** Was it your experience as Registrar of Co-operative Societies that A and B class Societies deteriorate into C and D after some years?—Not as a general rule, although some may have done so.

2017. What in your opinion is the chief cause of the agricultural indebtedness?—I think the extravagance and litigious habits of the agriculturists are largely responsible for their indebtedness.

2018. Is that your experience of the whole province or any particular area?—It may be for the whole province, but I am speaking of the place where I am at present (district Bakarganj).

2019. It has been represented to us that because the agriculturists have got no surplus they run into debt. Don't you think that this is the case?—I think that agriculturists have got surplus, particularly in Bakarganj, but the surplus is wasted in litigation, social and religious ceremonies, etc.

2020. Don't you think that indebtedness is due to the smallness and fragmentation of holdings?—It may be due to that partly, but in the district of Bakarganj holdings are small only in the north, and in the Eastern Bengal as a whole, holdings are not so much fragmented, but still the people are indebted.

2021. **Khan Bahadur Maulvi Azizul Haque:** What sort of extravagance do you imply?—Social ceremonies, litigation, charity and things like that.

2022. So far as Bakarganj is concerned, do you think there is sufficient local labour?—No, labourers have got to be imported.

2023. Is it due to the fact that the Barisal cultivators really require extra labour or they do not work?—Partly because they do not work.

2024. Speaking of the agriculturists' indebtedness on account of litigation, are you thinking of the average agriculturist or of agriculturists who are slightly better off?—My information is that practically all the agriculturists in Bakarganj except in the north indulge in litigation.

2025. Supposing there is a family of six adults, what in your opinion should be the quantity of land necessary for their maintenance?—In Bakarganj $7\frac{1}{2}$ acres of land having one crop, or 4 acres having two crops.

2026. Now, a man who has got less land than the above is bound to fall into debt?—Ordinarily.

2027. What is your experience of bad years in Bakarganj?—In Bakarganj bad years are almost unknown except in the north.

2028. When you say $7\frac{1}{2}$ acres, you are taking into account bad years also?—Yes.

2029. What is your experience of Western Bengal; is the cycle of bad years more frequent there than in the Eastern Bengal?—Yes.

2030. **Dr. Law:** You say that the agriculturists are extravagant. Is it your opinion that if they get more opportunities for borrowing they will become more extravagant?—The more credit you give, the more extravagant they will be.

2031. What remedy do you suggest for the agriculturists to mend their ways?—They should be educated and taught the lessons of thrift by propaganda.

2032. Do you think that these people run into litigation even by starving themselves?—Yes, they do so.

2033. **Chairman:** Supposing that an agriculturist has got a little surplus money, what does he do with it?—He deposits with the money-lender or lends it out to fellow cultivators.

2034. Do you think that facilities should be given to the cultivators so that they can deposit their money in some safe place?—I think that would be a good thing, but I don't think they will take advantage of this unless they are educated.

2035. Is there much hoarding of money still?—I think there must be, because in the Treasury we often get very old rupees.

2036. Have the people reduced their hoarding habit?—I don't think they have done so.

2037. **Khan Bahadur Maulvi Azizul Haque:** Has there been any effect of the co-operative movement on the general condition and character of the people?—In some places there has been a very excellent effect on the general condition of the people.

2038. Could you let me know as to why so few A class societies are available?—Mostly due to want of education among the members.

2039. Is it your experience that in Co-operative Societies the non-members make more deposit than members?—Yes, it has been my experience.

2040. From what source do the agriculturists generally get money for meeting their ordinary requirements and also capital requirements?—From the mahajans.

2041. **Chairman:** What is the normal rate charged by the mahajans?—37½ per cent.

2042. For paddy, is it 50 per cent.?—I think it is more. It is often 100 per cent. for three months.

2043. **Khan Bahadur Maulvi Azizul Haque:** Do you think that the mahajans lose money that they lend?—I think the mahajans are always safe.

2044. Are you in favour of fixing up a maximum rate of interest?—It is useless.

2045. Cases have been brought to our notice where very high rates of interest have been charged, and in a particular case the court has given decree for 700 per cent. per annum interest. What remedy do you suggest?—There is the Usurious Loans Act for that.

2046. **Chairman:** We have consulted the judicial officers who say that as there is no standard rate of interest fixed in the Usurious Loans Act, they must give decree for the stipulated rate of interest, because they do not know the rate of interest prevailing in the locality. Are you in favour of fixing a standard rate of interest by legislation?—I think it would be a good thing if the courts are given full discretion.

2047. **Dr. Sinha:** You know that different rates of interest prevail in different places. Do you advocate a maximum rate of interest to be fixed for the whole province?—It is impossible. Because, for instance, in Arambag I know the rate of interest is so low that the Co-operative Department could not compete.

2048. Do you advocate a maximum rate of interest for each district?—I have not thought much over it, but I think that something like this may be done.

2049. **Khan Bahadur Maulvi Azizul Haque:** Speaking of the accumulation of interest, do you think that the law should be amended so that there may not be too much accumulation at a time?—It is not possible. If pressure is brought upon the borrower, the result will be that he will go to a different mahajan and borrow from him and repay the loan.

2050. **Chairman:** If the period of limitation is shortened?—Then also the result will be the same, viz., changing from one mahajan to another.

2051. **Khan Bahadur Maulvi Azizul Haque:** I am giving you a concrete example. Supposing a man takes a loan of Rs. 100 and he agrees to repay it in ten instalments in ten years. If he fails to pay the second instalment, the moment he makes the default he may be brought to court instead of waiting for the whole period of limitation. Will it not have any effect upon too much accumulation?—Yes, it might decrease.

2052. Is there at present co-ordination between Co-operative and other Departments of the Government?—I don't think there is.

2053. Do you agree with me that there is scope for improvement of agricultural finance if there is co-ordination between the different departments?—It is not co-ordination but agricultural marketing that is wanted.

2054. Do you mean to say that the marketing problem is not a problem of the Agricultural Department?—It is a problem for the Agricultural and the Co-operative Departments and an enormous problem.

2055. Have you got anything to suggest us regards the present working of the Jute Sale Societies?—I know nothing. I never actually started any of the present Jute Sale Societies.

2056. What is your opinion about Jute Sale Society?—My opinion is that if it is to be successful it must be on a very big scale.

2057. Have you got any experience of Paddy Sale and Supply Societies?—We have got one at Khepupara. Marketing facilities are very essential in Sale and Supply Societies.

2058. Have you got anything to suggest about the working of the Central Banks?—The Central Banks are working satisfactorily on the whole.

2059. Do the Rural Societies get sufficient money from the Central Bank?—That depends upon how far the societies have progressed.

2060. Do you think that the co-operative movement has come to such a stage that the system of cash credit should be introduced?—Yes, in some cases.

2061. Do you think that the treasury work can be handed over to well established Central Banks subject to such necessary safeguards as may be necessary?—I don't think that the Barisal Central Bank can take up the Treasury work.

2062. **Chairman:** Supposing they employ a man of the position of a Deputy Collector and suitable staff to do the treasury work in the Central Bank. Even then you won't advocate it?—I have not thought over that question. I don't know what necessary safeguards you propose.

2063. Is there anything in the principle which stands in the way of handing over the treasury transaction to a Central Bank?—I don't think the Central Bank is efficient enough to undertake the treasury work, but if you can make Government money practically safe, there is nothing repugnant in the principle.

2064. Have you seen the working of the loan offices?—Yes, only one or two.

2065. Have you got anything to suggest for the improvement of the loan offices?—Generally they are quite satisfactory.

2066. **Dr. Sinha:** Have you got any suggestion to make for providing long-term agricultural credit and for this would you recommend the establishment of land mortgage banks?—Long-term credit for agricultural purposes is necessary and the present Co-operative Societies do not supply it. It would be good if Co-operative Societies are given facilities for doing this. There are two land mortgage banks at present in Bakarganj, one at Bhola and the other at Patuakhali.

2067. Is the Patuakhali bank a land mortgage bank?—They call it land mortgage bank.

2068. Does it bear any relation to the Central Bank?—No. It is affiliated to the Patuakhali Central Bank. It is not working satisfactorily.

2069. Do you agree that a Central Bank should take up land mortgage work?—Yes.

2070. But how will it give long-term credit?—Some special arrangements might be made to raise long-term funds, but Government may come to help.

2071. What should be the period of long-term loans?—I think 20 years. Under the Bengal Tenancy Act the period of *khai khalasi* is 15 years. If that is amended to 20 years, it would be quite sufficient.

2072. **Chairman:** If the period is extended to 20 years then there may be difficulties arising out of the laws of inheritance?—Yes, mainly with the Muhammadans.

2073. **Dr. Sinha:** What part will the Rural Societies play in granting long-term loans? Will they recommend loans to the individual members of the land mortgage banks as well as their own members?—Central Banks will have to weigh applications for loans more carefully. Loans will be given to the individual members through their respective Societies. They should get short-term loans from the short-term funds of the Rural Societies derived from the Central Bank.

2074. **Chairman:** But would it not be ruinous to the rural societies to take unlimited liability for large sums that would have to be given out as long-term loans?—But they have got the mortgage of the land.

2075. **Dr. Sinha:** I take it that long-term loans are to be given only to the members of the societies?—I confine it to the members of rural societies only.

2076. Can you suggest any measure for improvement in the record-of-rights and title of ownership so as to simplify reference?—There should be periodical revision of Settlement records.

2077. Would you advocate simplification of the method of foreclosure and sale in case of non-payment?—I should be inclined to give more facilities to co-operative land mortgage banks.

2078. How is the Land Improvement Loans Act working in your district?—It is not known to the people. There is no administrative difficulty in getting the loan, but if people apply in larger numbers, I think Government will have to supply more money.

2079. Is it because that officials do not like to give the loans or people do not take it?—As for myself, I do not object to the giving of these loans. I think the best way would be to issue more advertisements that Government is prepared to give land improvement loans.

2080. **Khan Bahadur Hemayatuddin Ahmed:** In the case of default in rural societies, it is the panchayats who can institute dispute proceedings. But, when, as often happens, they themselves are in default, they refuse to institute such cases. In order to save the societies from going into liquidation do you think that the Central Bank should be given some power to realise their dues from the members of

the rural societies?—The Central Bank has already got some power under section 35, which is a kind of punishment.

2081. **Chairman:** Don't you think that the Central Bank should have power to institute dispute proceedings against the pauchayat?—Yes.

2082. **Dr. Sinha:** Do you think that it is desirable to give co-operative societies further exemption from income-tax?—They should not claim any further concessions.

2083. Do you think that the time has come when the responsibility of audit of Central Banks and rural societies can be vested in the Provincial Co-operative Banks?—No, I do not think so.

2084. **Dr. Law:** What has been the effect of the recent Bengal Tenancy Amendment Act on the credit of the agriculturists?—It is very difficult to say now save that the registration of sales has fallen very greatly.

2085. Can you give us any idea of the proportion of secured and unsecured loans in your district?—It is very difficult to say.

2086. How are the small industries financed, do people resort to rural societies or go to indigenous bankers?—Not by societies but by private capital.

2087. Do you think that the facilities are adequate for the purpose?—The rate of interest, at least, is very reasonable in rural societies.

2088. Are there Kabuli money-lenders in your district?—Yes, there are lots and they are increasing day by day.

2089. What is the rate of interest that they charge?—They are not lending money at present. They sell things and realise in kind and get a wide margin of profit.

2090. What kind of bonds do they take?—They have got printed forms, but they do not use them much. They have also got khatas.

2091. **Chairman:** Have you seen the working of the new Sale Societies that have been started by Saral Babu?—They are unnecessary and they stand in the way of the development of the Central Bank. They are not genuine supply and sale societies.